

**The Office of the  
Police & Crime Commissioner  
for Leicestershire (OPCC)**

**Annual Financial Report  
(Group & Single Entity)**

**2020/21**

	Page
<b>Statement of Accounts</b>	
<i>Core financial statements</i>	
• Comprehensive Income & Expenditure Statement (Group)	10
• Comprehensive Income & Expenditure Statement (OPCC)	11
• Balance Sheet (Group)	12
• Balance Sheet (OPCC)	13
• Statement of Movement in Reserves (Group)	14
• Statement of Movement in Reserves (OPCC)	16
• Cash flow Statement (Group)	18
• Cash flow Statement (OPCC)	19
Notes to the core financial statements	20
<i>Supplementary financial statements</i>	
• Pension fund account	78
<b>Non audited information documents</b>	
Narrative Report by the Chief Finance Officer	1
Statement of responsibilities	9
Annual governance statement	80
Audit opinion	91
Glossary of terms	95

# Narrative Report by the Chief Finance Officer

---

These accounts set out the overall financial position of Leicestershire Police for the year ended 31 March 2021.

The Police Reform and Social Responsibility Act 2011 introduced Police and Crime Commissioners and created two corporation soles, the Police and Crime Commissioner (PCC) for Leicestershire and the Chief Constable (CC).

The PCC is responsible for securing an efficient and effective police force whilst the Chief Constable is responsible for delivering operational policing under the Police Act 1996 and has operational direction and control over the force's officers and staff.

This structural change created a 'Group' in accounting terms, referred to as the "Office of the Police and Crime Commissioner for Leicestershire Group" (OPCC Group or simply, 'the Group') and the two bodies within that group as "Office of the Police and Crime Commissioner for Leicestershire" (OPCC) and "Office of the Chief Constable for Leicestershire" (OCC) respectively.

The accounts for 2020/21 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority. This Code of Practice has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

## Budget 2020/21

The budget set for the financial year relevant to these accounts was the fourth budget set by the Police and Crime Commissioner for Leicestershire, Lord Willy Bach, who was elected in May 2016.

Lord Bach set his budget and precept for 2020/21 in February 2020 to support the ongoing delivery of his Police and Crime Plan.

The Police and Crime Plan includes an overarching objective of 'Prevention' and the following five key themes:

- Viable Partnerships;
- Visible Policing;
- Victim Services;
- Vulnerability Protection; and
- Value for Money.

The Police Grant Final Settlement was announced on 22<sup>nd</sup> January 2020 and confirmed a £7.95m increase in revenue grant funding. The additional funding made available was to meet the year one salary costs and three year infrastructure costs of the Government's 20,000 police officer uplift programme 2020 to 2023. The precept referendum threshold was confirmed at £10 for a Band D property.

The Commissioner allocated funding:

- for 100 additional officers to be recruited during 2020/21 in addition to the 107 delivered through his 2019/20 budget and the 89 expected to be delivered as part of year one of the Government's 20,000 officer uplift programme. This increased overall full time equivalent (FTE) officer numbers to 2,104 by March 2021.
- to increase Police Community Support Officer (PCSO) numbers by 20 to 201 FTEs by March 2021.

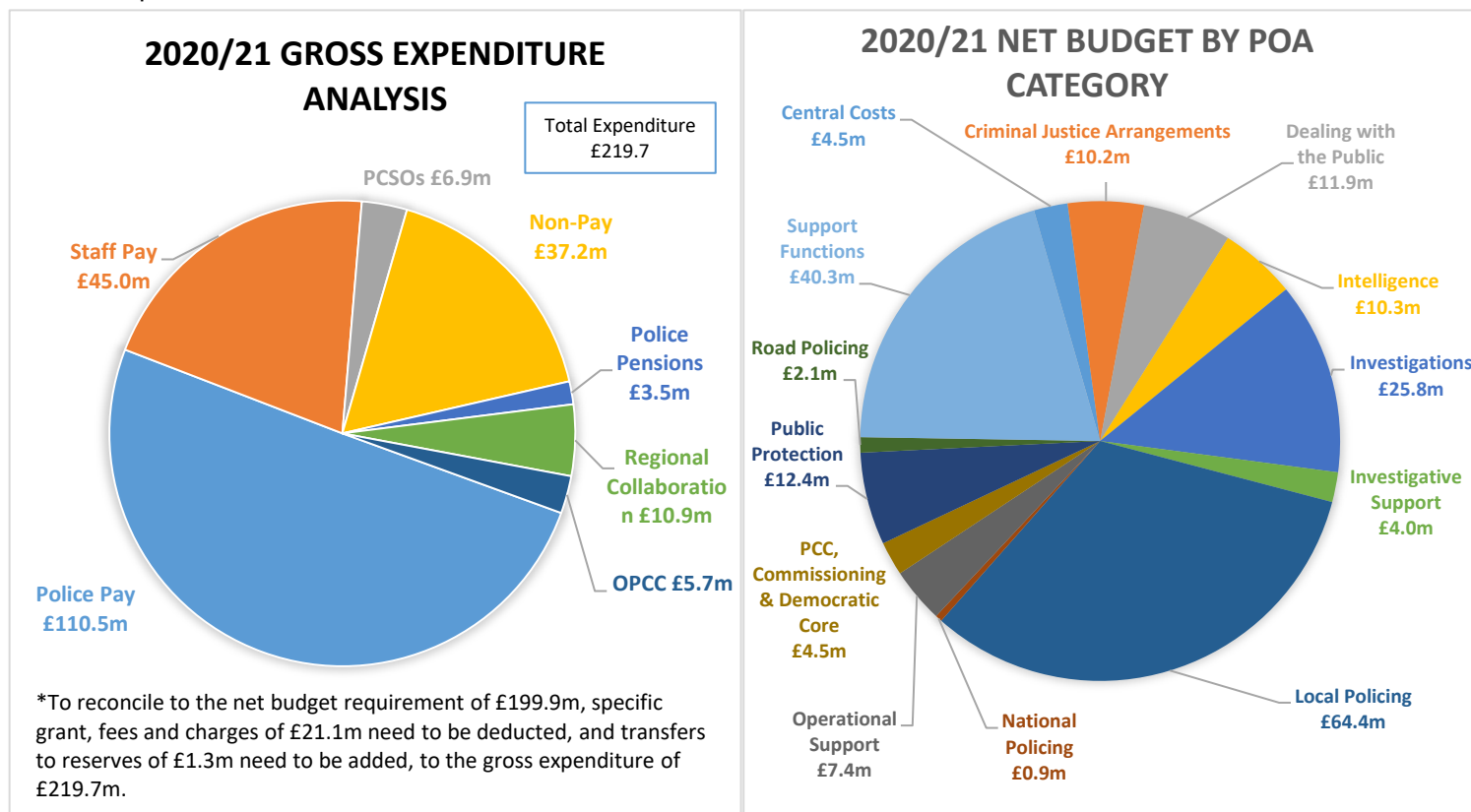
In 2020/21, the Office of the Police and Crime Commissioner for Leicestershire's budget was managed and closely monitored in conjunction with the Force. As a result, the final outturn for the year was a balanced position on a budget of £199.9m.

## Performance and Financial Position

A net annual revenue budget for 2020/21 of £199.9m was set for the service as a whole, an increase of 6.8% over 2019/20. £195.8m was managed by the CC with the remaining £4.1m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.2m) and commissioning activities (£2.9m). The majority of the funding is provided by Government, with 39% met through the Council Tax.

# Narrative Report by the Chief Finance Officer

The graphs below demonstrate how the budget was allocated to Police Operational Activities (POA) and by type of expenditure.



## Performance against budget

As described above, the OPCC (Group) balanced its 2020/21 budget, after the transfer of funds to earmarked reserves, including £2.4m to meet future commitments in 2021/22. This was attributable to:

### The Office of the Chief Constable for Leicestershire – balanced budget

- An overspend on police pay and allowances of £0.390m due to changes in the rank structure, additional transferees, changes to Police Officer Pay and Conditions extending maternity and adoption pay from 18 to 26 weeks, the increased cost of National Insurance due to higher overtime expenditure incurred as a result of COVID 19, higher levels of expenditure on police officer allowances including on-call and unsocial hours and a reduction in seconded officers income.
- An underspend on corporate budgets of £0.317m attributable to savings on the fuel budget due free fuel provided by BP for emergency services, an underspend in the utilities budget, PCSOs due to the number of staff in post being below the budgeted establishment throughout the year as police officer recruitment has increased, ill health retirement costs being slightly higher than the budget, the unbudgeted cost of the arrears associated with the injury award review, delays in the implementation of investment proposals and projects offset by additional expenditure on Force priorities.
- An underspend of £0.160m on policing functions provided regionally.
- A net overspend of £0.087m in the delegated budgets as a result of increased police overtime costs to meet demand and unbudgeted expenditure in the Business Support departments on police staff salary costs, additional costs of vehicle parts, equipment maintenance and under achievement of income.

During the year, the Chief Constable received specific grant from the Home Office to tackle serious violence crime (£0.9m).

### The Office of the Police and Crime Commissioner for Leicestershire – balanced budget

- The Office of the Police and Crime Commissioner had a very small overspend of £0.008m which it has transferred from an earmarked reserve at year end to balance the budget.

## Impact of COVID 19

The coronavirus outbreak was declared a global pandemic by the World Health Organisation on 11th March 2020 however, the full impact on the UK and world economy was not felt until the financial year 2020/21. All organisations have had to adapt how they work to maintain essential services and safeguard their employees wherever possible. The OPCC/Group has adapted along with its partners to continue to keep communities safe in these challenging times.

The restrictions put in place within the United Kingdom in response to Covid-19 created issues for police forces in terms of policing the government lockdown policy in addition to continuing normal policing functions. This resulted in additional costs in terms of overtime and providing personal protective equipment (PPE) to operational police officers and staff. The OPCC/Group also lost income due to the restrictions in place.

The costs and savings associated with Covid-19 were monitored, tracked and reported to Chief Officers and the PCC throughout 2020/21 on a regular basis, including in the monthly revenue monitoring reports.

The Home Office also collected information, on a monthly basis, from all 43 forces in England and Wales in respect of their additional Covid-19 costs and savings. As a result the Home Office and Treasury announced a number of support packages for Police Forces during 2020/21 including:

- Grant to cover the cost of both medical and non-medical graded PPE equipment purchased directly by the Force (£384k)
- a scheme to reimburse Force's for loss of income due to covid-19 similar to local government (£864k)
- surge funding to assist with the cost of patrolling the government's restrictions from October onwards (£446k)
- Additional funding for COVID 19 enforcement and wider pressures (£862k).

In total grants of £2.6m were received to meet the Force's additional expenditure and loss of income and there was no requirement to draw down on reserves to fund the additional cost pressures associated with Covid.

All PPE equipment is now provided through a national agreement / service with minimal local expenditure being incurred. The stock at the 31<sup>st</sup> March is being accounted for by Thames Valley Police.

The financial implications for the wider economy as a whole continue to threaten future funding levels for the service including the additional funding associated with the increase in officer numbers. Council Tax funding will be reduced by the level of unpaid council tax and reduction in house building etc. Government funding will obviously be under severe strain and existing departmental plans will be revisited. The plans for a multi-year CSR settlement from 2021/22 were postponed and only a 1 year settlement received. It is hoped that a 3 year settlement will be received for 2022/23 onwards to enable the Force to make longer term financial plans.

## Reserves

The Police Fund (General Reserve) has been maintained at £5.0m. The total earmarked reserves are £24.9m (including both a share of regional jointly controlled reserves as well as reserves held on behalf of partners) an increase of £2.6m.

## Retirement Benefits

Accounting for Retirement Benefits in the 2020/21 Statement of Accounts has resulted in a pension liability of £2,724m compared to £2,295m in 2019/20. The increase in the liability is primarily due to the actuarial losses arising from changes in the financial assumptions offset by an increase in the value of assets in the Local Government Scheme.

The pension liability includes provision for the potential impact of:

- The McCloud / Sargeant judgement
- Changes to how 'Guaranteed Minimum Pension' (GMP) is treated within the pension scheme.

The decisions of the Court of Appeal in the Sargeant / McCloud cases have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement are needed and on the 4<sup>th</sup> February 2021, HM Treasury issued their response to the earlier issued consultation document.

## Narrative Report by the Chief Finance Officer

The accounting figures for 2021 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken in 2018/19. More detail regarding the McCloud and GMP issues is provided in note 27.

The police officer pension scheme liability is £2,573m with the balance relating to the Local Government Pension Scheme (LGPS).

The liabilities show the underlying commitments that the Group has to pay retirement benefits. However, the statutory arrangements for the funding of the deficit mean that the financial position of the OPCC/Group remains stable.

### Capital spending

A total of £8.8m was spent on improving the estate, investing in information technology and the vehicle fleet. This was funded by a combination of internal borrowing, grant, third party income and revenue contributions. This capital spending resulted in non-current asset additions of £8.759m with £0.078m being charged to the Comprehensive Income and Expenditure Statement as 'Revenue Expenditure Financed from Capital resources Under Statute' (REFCUS – see Note 14). No external long term borrowing was taken out during 2020/21. Outstanding external debt at the year-end was £10.7m (excluding accruals for interest payable).

The 'Estates' projects undertaken include:

- Refurbishment of the Dog Section (offices and kennels) & canteen kitchen to meet the latest health and safety requirements
- alterations to the Front Enquiry desk at Loughborough
- an extension to the SARC (sexual assault referral centre) to provide additional space
- the replacement of the heating and ventilation system in the Learning and Development building.

The IT programme includes:

- Investment in the data network and storage to ensure network performance and support new services.
- The completion of the migration to Office 365 cloud service as part of the National Enabling Programme (NEP)
- Investment in the internet capability to support the Force's cloud delivery strategy for the provision of information systems and services.
- Completion of the smartphone fleet to facilitate the on-going use of agile services.
- Provision for the on-going development of Pronto.
- The continuation of investment in the personal computer estate to support agile working.

Capital expenditure has also been incurred on the rolling programme of ANPR camera replacements and planned replacements of the existing vehicle fleet.

No properties were disposed of during 2020/21.

### Looking Forward - Budget 2021/22 and beyond

In January 2021, following sustained lobbying by PCCs and Chief Constables regionally and nationally, the Policing Minister announced that the local precept could be increased by £15 per annum for a Band D property, the expectation from Government being that the full increase would be implemented by Police and Crime Commissioners.

The Commissioner welcomed the additional revenue grant funding provided to support both the recruitment and infrastructure costs associated with the second year of the Government's national Police Uplift Programme. This aims to provide 20,000 additional officers over the three year period – 2020/21 to 2022/23. It was confirmed that Leicestershire Police's share of the Year 2 uplift will be 88 officers during 2021/22. The final year allocation for 2022/23 is yet to be confirmed.

The Commissioner also decided that he would utilise some of the local precept flexibility to allow for the recruitment of a further 50 additional police officers during 2021/22 to further enhance policing services across the area.

Other investment items totalling £2m are contained within the budget proposals for 2021/22 and beyond. This includes additional police staff posts and supporting organisational infrastructure, deemed essential to deliver both service transformation and to support the growth in officer numbers.

Prior to setting the precept the Commissioner engaged an external company, SMSR Research, to undertake a series of three budget consultation focus groups. The focus groups were held virtually with local residents in order to explore the attitude towards increasing the precept for policing, as well as resident's views on policing priorities and perceptions of policing. SMSR Research also undertook a series of 150 pulse surveys via telephone with residents across LLR to test the COVID response, policing priorities and precept proposal. The results of both the focus groups and pulse surveys showed that the majority of local residents of LLR were supportive of the precept increase of £15 for a Band D property in order to protect and enhance the current level of policing services.

Lord Bach's Budget and Precept for 2021/22 continued to develop the themes contained within the Police and Crime Plan and build upon the approach taken in previous years. The proposals did include an increase of £15 per year for a Band D property to ensure the significant investments referred to earlier were funded. The proposals recommended a total revenue net budget for 2021/22 of £212.6m alongside a capital programme of £8.5m which was considered by the Police and Crime Panel in January 2021 and were unanimously supported.

The Commissioner has worked closely with PCCs across the region to deliver policing and support services collaboratively where it makes sense to do so, to provide more efficient working practices and greater resilience for each force area.

The PCC is required to issue a separate Annual Report which details the activities undertaken during the year, together with an update on priorities and statutory requirements. This report will be considered by the Police and Crime Panel on 29 July 2021.

Whilst the funding made available to the Police and Crime Commissioner increased during 2020/21 and 2021/22 there remains a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased due to the global Covid-19 pandemic. The OPCC/Group has adapted along with partners to keep communities safe in these challenging times. Any additional costs being incurred during 2021/22 due to Covid-19 are being monitored. However, these are significantly lower than 2020/21 now that national and local restrictions have been eased and subsequent enforcement patrols have been scaled back. The Home Office has advised that it is unlikely that any additional funding will be made available for 2021/22 but continues to collate Covid related costs from the 43 forces.

In conclusion, the financial arrangements of the Office of the Police and Crime Commissioner and the Office of the Chief Constable are in a sound position although it is recognised that future funding challenges remain.

Both organisations have a good reputation for managing expenditure within the resources available alongside a clear focus on a change programme to manage future challenges, supported by an adequate level of reserves that will help the force through the change process. Discussions continue to ensure that there is an appropriate balance between the change programme and its implications, and the resources available in order to deliver the priorities of the Police and Crime Plan as identified to the Commissioner by the public and partners within Leicester, Leicestershire and Rutland.

### Organisational Risks

When the budget for 2021/22 was set a number of risks were highlighted in relation to the following that could impact upon the budget plans:

- Police Staff job evaluation
- Pay inflation
- Employment claims in respect of unlawful discrimination arising from the transitional provisions in the Police Pension Regulations 2015.
- The Emergency Services network
- The National Police Air Service (NPAS)

More details against each of these risks can be found at the following link to the budget and precept meeting report:

<https://www.leics.pcc.police.uk/Planning-and-Money/Finance/Budget-Information/Budget-2021-2022.aspx>

In addition to these the latest information reported to JARAP regarding the highest risks currently being faced include:

- Diminished CSI Capacity
- Capacity within I.T. to support and enable digital transformation
- Inability to meet regional Occupational Health demand
- Risk of staff being exposed to COVID virus due to work activities
- Churn of staff and ongoing establishment pressure
- Management of geographical information
- Pension remedy for police pension scheme
- Current JES non-equalities compliant and the implementation of new JES scheme carries risk
- Reputational risk to the force due to delays in the Criminal Justice system
- Complying with Home Office Counting Rules & ensuring high levels of crime data integrity

### Explanation of the financial report

The Financial Statements set out the income and expenditure and the financial position of the 'Group' and the PCC for Leicestershire for the year ending 31<sup>st</sup> March 2021.

The accounts for 2020/21 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

The way in which the Group operates both in consolidation and as individual bodies is described and controlled by the locally agreed Corporate Governance Framework (this includes both the Financial Regulations and Scheme of Delegation). The Framework sets out the overriding principle of the PCC having ownership of the assets and liabilities whilst being the contracting body that is legally responsible for all income and expenditure.

However in referring directly to both the Chief Constable's operational independence and "direction and control" of the Force it recognises that the Chief will have to consume resources in order to deliver the aims of the Policing Plan.

In producing these accounts, the 'substance over form' principle has been used to ensure that they best represent the reality of how the two corporations sole conduct their activities. In applying group accounting principles, transactions and balances are considered on merit and placed within the most appropriate set of single entity primary statements (i.e. the OPCC or the OCC). The Group (or consolidated) position is produced first, followed by a process of disaggregation that results in an intra-group balance within both single entity balance sheets.

The major headlines regarding the split of transaction and balances between both corporations sole are as follows:

- The 'Cost of Policing' is charged to the OCC together with a credit for the corresponding income that was received by the PCC.
- All usable reserves remain on the OPCC's balance sheet.
- All bank/investment balances together with outstanding debt remain on the OPCC's balance sheet.
- All transactions related to the Police Officer and Police Staff pension schemes (i.e. IAS 19) are transferred to the Chief Constable when disaggregating the Group accounts.
- The receipt (and closing debtor) of the Pension Fund top-up grant payable by the Home Office in support of the Police Officer pension scheme(s) is accounted for in the OPCC's account and transferred to the CC via the inter-group transfer.
- The actual share (in effect the majority) of the accrual for employee benefits at the balance sheet date (including annual leave, rest day and time-off in lieu) has been transferred to the Chief Constable in recognition of its inherent link to the employment of staff and the responsibility to bear costs.
- All debtor and creditor accounts (i.e. PAYE or net pay accounts) that are directly attributable to the employment of either police officers or staff have been transferred in full to the Chief Constable's balance sheet.

On each single entity balance sheet an entry has been made to reflect an intra-group account that balances working capital for the Chief Constable. This is in recognition of the fact that the Chief Constable does not hold cash resources of his own and that any liabilities are paid by the PCC together with any cash receipts related to debtors.



## **The core financial statements (two provided, one for the Group and one for the OPCC):**

The presentation of the 2020/21 Financial Statements reflects the reporting formats introduced by the 'Code' in 2016/17. An 'Expenditure and Funding Analysis' is now included in the notes.

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pension benefits earned by employees. However, statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year. The Expenditure and Funding Analysis aims to demonstrate to council tax payers how the funding available to the Group (i.e. government grants, council tax) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows the movement on the cash backed reserves that are available to the Group.

The services that are shown on both the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis are determined by the performance framework and internal financial monitoring arrangements of the OPCC and CC.

### Movement in Reserves Statement

The movement in the year on the different reserves held by the OPCC/Group is shown in this statement. This is analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the OPCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

The 'Net increase/(decrease) before transfers (to)/from earmarked reserves' line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves are undertaken by the OPCC/Group.

### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The Police and Crime Commissioner raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The core difference between the OPCC version and the consolidated Group position is that the OPCC Comprehensive Income and Expenditure Statement demonstrates the intra-group transfer to the OCC of the costs of providing policing services whilst retaining recognition of all income. The Group Comprehensive Income and Expenditure Statement is the consolidation position of both the OPCC and the OCC, it therefore shows the net costs of providing policing services.

### Balance Sheet

The value at the end of the reporting period (31st March) of the assets and liabilities recognised by the OPCC/Group are shown on the balance sheet. The net assets of the OPCC/Group (assets less liabilities) are matched by the reserves held by the OPCC/Group. Reserves are reported in two categories:

- Usable reserves - those reserves that the OPCC/Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). These include reserves that are earmarked for a specific purpose.
- Unusable reserves - those that the OPCC/Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

### Cash Flow Statement

This statement shows the movement in cash and cash equivalents of the OPCC/Group during the reporting period. The statement shows how the OPCC/Group generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The net cash flow arising from operating activities is a key indicator of the extent to which the operations of the OPCC/Group are funded by way of taxation and grant income or from the recipients of services provided by the OPCC/Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the OPCC/Group's future service

## Narrative Report by the Chief Finance Officer

---

delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the OPCC/Group.

### Notes to the core financial statements

The notes provide support to the financial statements, inform the reader and give sufficient information to present a good understanding of the OPCC/Group's activities.

There are no Accounting Standards that have been issued but not yet adopted that will impact on the financial statements or any material items that have been incurred that require, separate disclosure.

### The supplementary financial statements:

#### Pension Fund Account

The police pension schemes are unfunded and hold no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account. The Chief Constable for Leicestershire (OCC) administers the Pension Fund Account on behalf of the group with resources provided by the OPCC/Group.

### Non-audited supplementary documents

#### Narrative Report

The purpose of the Narrative Report is to offer interested parties a more understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the OPCC/Group's financial position.

#### Statement of responsibilities

The purpose of the Statement of Responsibilities for the Chief Finance Officer to sign a statement that the accounts present a true and fair view of the financial position of the OPCC/Group at the accounting date and of its income and expenditure for the year then ended.

#### Annual governance statement

Regulations require English authorities to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on this review with any Statement of Accounts.



**Kira Hughes**  
**Temporary Chief Finance Officer**  
**25<sup>th</sup> August 2022**

### ***The OPCC's responsibilities***

The OPCC is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this OPCC, that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts

### ***OPCC's approval***

The Statement of Accounts for the year to 31<sup>st</sup> March 2021 has been prepared and were approved at the Joint Audit, Risk Assurance Panel (JARAP) on 25<sup>th</sup> August 2022.

### ***The Chief Finance Officer's responsibilities***

The Chief Finance Officer (CFO) is responsible for the preparation of the OPCC's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the CFO, has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### ***Chief Finance Officer's certification***

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPCC/Group at the reporting date and of its income and expenditure for the year ended 31<sup>st</sup> March 2021.



**Kira Hughes**  
**Temporary Chief Finance Officer**  
**25<sup>th</sup> August 2022**

## Comprehensive Income & Expenditure Statement (Group)

This statement shows the accounting cost in the year of providing police services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Group raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves and Expenditure Funding Analysis. This statement represents the consolidated position of both the OPCC and OCC.

2019/20					2020/21		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
236,948	(21,008)	215,940	Policing Services		249,836	(23,665)	226,171
1,452	(81)	1,371	Corporate & Democratic Core		1,536	(77)	1,459
6,116	(3,258)	2,858	Commissioning		8,117	(5,029)	3,088
57	-	57	Non-Distributed Costs	27	(948)	-	(948)
<b>244,573</b>	<b>(24,347)</b>	<b>220,226</b>	<b>Cost of services</b>	<b>2</b>	<b>258,541</b>	<b>(28,771)</b>	<b>229,770</b>
124	-	124	Other operating expenditure	3	44		44
57,141	(173)	56,968	Financing and investment income & expenditure	4	52,829	(24)	52,805
-	(188,239)	(188,239)	Taxation & non-specific grant income	5		(199,284)	(199,284)
-	(26,151)	(26,151)	Grant received from the Home Office in respect of the pension fund account	27		(25,782)	(25,782)
<b>301,838</b>	<b>(238,910)</b>	<b>62,928</b>	<b>(Surplus) or deficit on provision of services</b>		<b>311,414</b>	<b>(253,861)</b>	<b>57,553</b>
		1,169	(Surplus) / deficit on revaluation of non-current assets	29			81
		(48,973)	Actuarial (gains) / losses on pension assets/liabilities	26			375,424
		<b>(47,804)</b>	<b>Other comprehensive income &amp; expenditure</b>				<b>375,505</b>
		<b>15,124</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>433,058</b>

## Comprehensive Income & Expenditure Statement (OPCC)

This statement shows the accounting cost in the year of providing police services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The OPCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves. This statement differs from the Group statement in that it shows the intra-group transfer between the OPCC and the OCC. This transfer represents a recharge of the costs of providing policing services to the OCC who has consumed the resources.

2019/20					2020/21		
Gross expenditure £000	Gross income £000	Net expenditure £000			Gross expenditure £000	Gross income £000	Net expenditure £000
1,357	(81)	1,276	Corporate & Democratic Core		1,434	(78)	1,356
6,116	(3,258)	2,858	Commissioning		8,117	(5,029)	3,088
<b>7,473</b>	<b>(3,339)</b>	<b>4,134</b>	<b>Cost of services</b>		<b>9,551</b>	<b>(5,107)</b>	<b>4,444</b>
210,780	-	210,780	Intra-group Transfer		223,048		223,048
124	-	124	Other operating expenditure	3	44		44
709	(173)	536	Financing and investment income & expenditure	4	611	(24)	587
-	(188,239)	(188,239)	Taxation & non-specific grant income	5		(199,284)	(199,284)
-	(26,151)	(26,151)	Grant received from the Home Office in respect of the pension fund account	27		(25,782)	(25,782)
<b>219,086</b>	<b>(217,902)</b>	<b>1,184</b>	<b>(Surplus) or deficit on provision of services</b>		<b>233,254</b>	<b>(230,197)</b>	<b>3,057</b>
		1,169	(Surplus) / deficit on revaluation of non-current assets	29			81
		-	Actuarial (gains) / losses on pension assets/liabilities	26			-
		1,169	<b>Other comprehensive income &amp; expenditure</b>				<b>81</b>
		<b>2,353</b>	<b>Total comprehensive income &amp; expenditure</b>				<b>3,138</b>

## Balance Sheet (Group)

The Balance Sheet shows the value of the Group's assets and liabilities at the balance sheet date. The net assets or liabilities (shown below) are matched by the Group's reserves. Reserves are separated into *usable* (i.e. those amounts the Group may use to provide police services – subject to statutory limitations) and *unusable* (i.e. those reserves where unrealised gains/(losses) reside or where adjustments are made to reconcile between accounting requirements and taxation requirements).

31 <sup>st</sup> March 2020 £000		Note	31 <sup>st</sup> March 2021 £000
1,887	Intangible assets	12	2,616
70,172	Property, Plant & Equipment	13	69,354
-	Assets held for sale	15	-
236	Investment property		236
18	Long term debtors	16	14
<b>72,313</b>	<b>Total long term assets</b>		<b>72,220</b>
151	Inventories		132
19,127	Short term debtors	16	25,170
10	Short term investments		10
8,941	Cash & cash equivalents	17	11,137
<b>28,229</b>	<b>Current assets</b>		<b>36,449</b>
(19,232)	Short term creditors	19/32	(32,780)
(1,854)	Short term borrowing	20	(87)
(848)	Provisions	22	(1,065)
<b>(21,934)</b>	<b>Current liabilities</b>		<b>(33,932)</b>
<b>6,295</b>	<b>Net current assets</b>		<b>2,517</b>
(10,676)	Long term borrowing	20	(10,676)
-	Deferred liabilities	18	-
(353)	Grants Receipts in Advance - Capital	11	(231)
(2,294,748)	Liability related to defined benefit pension schemes	27	(2,724,057)
<b>(2,305,777)</b>	<b>Long term liabilities</b>		<b>(2,734,964)</b>
<b>(2,227,169)</b>	<b>Net assets / (liabilities)</b>		<b>(2,660,227)</b>
(27,757)	Usable reserves*	23	(30,375)
2,254,926	Unusable reserves	24	2,690,602
<b>2,227,169</b>	<b>Total reserves</b>		<b>2,660,227</b>

\*This includes reserves that are earmarked for a specific purpose (Earmarked Reserves)

### Re-certification

The unaudited financial statements on pages 1 to 97 were issued on 30<sup>th</sup> July 2021 and the audited financial statements were authorised for issue on 25<sup>th</sup> August 2022.



25<sup>th</sup> August 2022

## Balance Sheet (OPCC)

The Balance Sheet shows the value of the OPCC's assets and liabilities at the balance sheet date. The net assets or liabilities (shown below) are matched by the OPCC's reserves. Reserves are separated into *usable* (i.e. those amounts the OPCC may use to provide police services – subject to statutory limitations) and *unusable* (i.e. those reserves where unrealised gains/(losses) reside or where adjustments are made to reconcile between accounting requirements and taxation requirements).

31 <sup>st</sup> March 2020 £000		Note	31 <sup>st</sup> March 2021 £000
1,887	Intangible assets	12	2,616
70,172	Property, Plant & Equipment	13	69,354
-	Assets held for sale	15	-
236	Investment property		236
-	Long term debtors	16	-
<b>72,295</b>	<b>Total long term assets</b>		<b>72,206</b>
151	Inventories		132
19,027	Short term debtors	16	25,037
10	Short term investments		10
8,941	Cash & cash equivalents	17	11,137
<b>28,129</b>	<b>Current assets</b>		<b>36,316</b>
(11,387)	Short term creditors	19/32	(24,065)
(1,854)	Short term borrowing		(87)
(848)	Provisions	22	(1,065)
(3,525)	Inter – Group Creditor		(3,755)
<b>(17,614)</b>	<b>Current liabilities</b>		<b>(28,972)</b>
<b>10,515</b>	<b>Net current assets</b>		<b>7,344</b>
(10,676)	Long term borrowing	20	(10,676)
-	Deferred liabilities	18	-
(353)	Grants Receipts in Advance - Capital	11	(231)
<b>(11,029)</b>	<b>Long term liabilities</b>		<b>(10,907)</b>
<b>71,781</b>	<b>Net assets / (liabilities)</b>		<b>68,643</b>
(27,757)	Usable reserves*	23	(30,375)
(44,024)	Unusable reserves	24	(38,268)
<b>(71,781)</b>	<b>Total reserves</b>		<b>(68,643)</b>

\*This includes reserves that are earmarked for a specific purpose (Earmarked Reserves)

### Re-certification

The unaudited financial statements on pages 1 to 97 were issued on 30<sup>th</sup> July 2021 and the audited financial statements were authorised for issue on 25<sup>th</sup> August 2022.



25<sup>th</sup> August 2022

## Statement of Movement in Reserves (Group)

The movement in the year on the different reserves held by the Group is shown in this statement. This is analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '*surplus or (deficit) on the provision of services*' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The '*net increase/(decrease) before transfers (to)/from earmarked reserves*' line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

Further details of the movements can be seen in the notes as referenced below.

2020/21	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
Note	23	23	23	23	24	
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020</b>	<b>(5,000)</b>	<b>(22,271)</b>	<b>(486)</b>	<b>(27,757)</b>	<b>2,254,926</b>	<b>2,227,169</b>
<b>Movement in reserves during 2020/21</b>						
Surplus or deficit on the provision of services	57,553			<b>57,553</b>		<b>57,553</b>
Other Comprehensive Income and Expenditure					375,505	<b>375,505</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>57,553</b>			<b>57,553</b>	<b>375,505</b>	<b>433,058</b>
Adjustments between accounting basis and funding basis under regulations	(60,171)		-	<b>(60,171)</b>	60,171	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,618)</b>	<b>-</b>	<b>-</b>	<b>(2,618)</b>	<b>435,676</b>	<b>433,058</b>
Transfers to/from Earmarked Reserves	2,618	(2,618)				
<b>Increase or Decrease in 2020/21</b>	<b>0</b>	<b>(2,618)</b>	<b>-</b>	<b>(2,618)</b>	<b>435,676</b>	<b>433,058</b>
<b>Balance at 31 March 2021</b>	<b>(5,000)</b>	<b>(24,889)</b>	<b>(486)</b>	<b>(30,375)</b>	<b>2,690,602</b>	<b>2,660,227</b>



2019/20	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
Note	23 £000	23 £000	23 £000	23 £000	24 £000	£000
<b>Balance at 31 March 2019</b>	<b>(6,000)</b>	<b>(18,663)</b>	<b>(486)</b>	<b>(25,149)</b>	<b>2,237,194</b>	<b>2,212,045</b>
<b>Movement in reserves during 2019/20</b>	-	-	-	-	-	-
Surplus or deficit on the provision of services	62,928	-	-	<b>62,928</b>	-	<b>62,928</b>
Other Comprehensive Income and Expenditure		-	-	-	(47,804)	<b>(47,804)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>62,928</b>	-	-	<b>62,928</b>	<b>(47,804)</b>	<b>15,124</b>
Adjustments between accounting basis and funding basis under regulations	(65,536)		-	<b>(65,536)</b>	65,536	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,608)</b>	-	-	<b>(2,608)</b>	<b>17,732</b>	<b>15,124</b>
Transfers to/from Earmarked Reserves	3,608	(3,608)	-	-	-	-
<b>Increase or Decrease in 2019/20</b>	<b>1,000</b>	<b>(3,608)</b>	-	<b>(2,608)</b>	<b>17,732</b>	<b>15,124</b>
<b>Balance at 31 March 2020</b>	<b>(5,000)</b>	<b>(22,271)</b>	<b>(486)</b>	<b>(27,757)</b>	<b>2,254,926</b>	<b>2,227,169</b>

**Statement of Movement in Reserves (OPCC)**

2020/21	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Note</i>	23 £000	23 £000	23 £000	23 £000	24 £000	£000
<b>Balance at 31 March 2020</b>	<b>(5,000)</b>	<b>(22,271)</b>	<b>(486)</b>	<b>(27,757)</b>	<b>(44,024)</b>	<b>(71,181)</b>
<b>Movement in reserves during 2020/21</b>						
Surplus or deficit on the provision of services	3,057			3,057		3,057
Other Comprehensive Income and Expenditure					81	81
<b>Total Comprehensive Income and Expenditure</b>	<b>3,057</b>			<b>3,057</b>	<b>81</b>	<b>3,138</b>
Adjustments between accounting basis and funding basis under regulations	(5,675)		-	(5,675)	5,675	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,618)</b>	<b>-</b>	<b>-</b>	<b>(2,618)</b>	<b>5,756</b>	<b>3,138</b>
Transfers to/from Earmarked Reserves	2,618	(2,618)				
<b>Increase or Decrease in 2020/21</b>	<b>0</b>	<b>(2,618)</b>	<b>-</b>	<b>(2,618)</b>	<b>5,756</b>	<b>3,138</b>
<b>Balance at 31 March 2021</b>	<b>(5,000)</b>	<b>(24,889)</b>	<b>(486)</b>	<b>(30,375)</b>	<b>(38,268)</b>	<b>(68,643)</b>

2019/20	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
Note	23 £000	23 £000	23 £000	23 £000	24 £000	£000
<b>Balance at 31 March 2019</b>	<b>(6,000)</b>	<b>(18,663)</b>	<b>(486)</b>	<b>(25,149)</b>	<b>(48,985)</b>	<b>(74,134)</b>
<b>Movement in reserves during 2019/20</b>	-	-	-	-	-	-
Surplus or deficit on the provision of services	1,184	-	-	1,184	-	1,184
Other Comprehensive Income and Expenditure		-	-	-	1,169	1,169
<b>Total Comprehensive Income and Expenditure</b>	<b>1,184</b>	<b>-</b>	<b>-</b>	<b>1,184</b>	<b>1,169</b>	<b>2,353</b>
Adjustments between accounting basis and funding basis under regulations	(3,792)	-	-	(3,792)	3,792	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,608)</b>	<b>-</b>	<b>-</b>	<b>(2,608)</b>	<b>4,961</b>	<b>2,353</b>
Transfers to/from Earmarked Reserves	3,608	(3,608)	-	-	-	-
<b>Increase or Decrease in 2019/20</b>	<b>1,000</b>	<b>(3,608)</b>	<b>-</b>	<b>(2,608)</b>	<b>4,961</b>	<b>2,353</b>
<b>Balance at 31 March 2020</b>	<b>(5,000)</b>	<b>(22,271)</b>	<b>(486)</b>	<b>(27,757)</b>	<b>(44,024)</b>	<b>(71,781)</b>

## Cash Flow Statement (Group)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group.

*Investing* activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery.

Cash flows arising from *financing* activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2019/20 £000		Note	2020/21 £000
62,928	<b>Net (surplus) or deficit on the provision of services</b>		57,553
(76,650)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33.2	(70,578)
1,369	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33.3	769
<b>(12,353)</b>	<b>Net cash flows from operating activities</b>		<b>(12,256)</b>
7,598	Investing activities	34	8,338
10,040	Financing activities	35	1,722
<b>5,285</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(2,196)</b>
(14,226)	Cash and cash equivalents at the beginning of the reporting period	17	(8,941)
<b>(8,941)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>(11,137)</b>

## Cash Flow Statement (OPCC)

The Cash Flow Statement shows the changes in cash and cash equivalents of the OPCC during the reporting period. The statement shows how the OPCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the OPCC are funded by way of taxation and grant income or from the recipients of services provided by the OPCC.

*Investing* activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the OPCC's future service delivery.

Cash flows arising from *financing* activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the OPCC.

2019/20 £000		Note	2020/21 £000
1,184	<b>Net (surplus) or deficit on the provision of services</b>		<b>3,057</b>
(14,906)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33.2	(16,082)
1,369	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33.3	769
<b>(12,353)</b>	<b>Net cash flows from operating activities</b>		<b>(12,256)</b>
7,598	Investing activities	34	8,338
10,040	Financing activities	35	1,722
<b>5,285</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(2,196)</b>
(14,226)	Cash and cash equivalents at the beginning of the reporting period	17	(8,941)
<b>(8,941)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>(11,137)</b>

## 1. Adjustments between accounting basis and funding basis under regulations (Group & OPCC)

This note details the adjustments that are made to the Comprehensive Income & Expenditure recognised by the OPCC/Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the OPCC/Group to meet future capital and revenue expenditure.

GROUP 2020/21	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(53,885)			53,885
Council tax and NDR (transfers to or from the Collection Fund)	(1,348)			1,348
Holiday pay (transferred to the Accumulated Absences reserve)	(623)			623
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(8,076)		(321)	8,397
<b>Total Adjustments to Revenue Resources</b>	<b>(63,932)</b>	<b>-</b>	<b>(321)</b>	<b>64,253</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	2,147			(2,147)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,614			(1,614)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,761</b>	<b>-</b>	<b>-</b>	<b>(3,761)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		-		-
Application of capital grants to finance capital expenditure			321	(321)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>321</b>	<b>(321)</b>
<b>Total Adjustments</b>	<b>(60,171)</b>	<b>-</b>	<b>-</b>	<b>60,171</b>

## Notes to the core financial statements

GROUP 2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(61,160)	-	-	61,160
Council tax and NDR (transfers to or from the Collection Fund)	(269)	-	-	269
Holiday pay (transferred to the Accumulated Absences reserve)	(593)	-	-	593
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,057)	-	(1,091)	7,148
<b>Total Adjustments to Revenue Resources</b>	<b>(68,079)</b>	<b>-</b>	<b>(1,091)</b>	<b>69,170</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,582	-	-	(1,582)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	961	-	-	(961)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,543</b>	<b>-</b>	<b>-</b>	<b>(2,543)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-
Application of capital grants to finance capital expenditure	-	-	1,091	(1,091)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,091</b>	<b>(1,091)</b>
<b>Total Adjustments</b>	<b>(65,536)</b>	<b>-</b>	<b>-</b>	<b>65,536</b>

OPCC 2020/21	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)				-
Council tax and NDR (transfers to or from the Collection Fund)	(1,348)			1,348
Holiday pay (transferred to the Accumulated Absences reserve)	(12)			12
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(8,076)		(321)	8,397
<b>Total Adjustments to Revenue Resources</b>	<b>(9,436)</b>	<b>-</b>	<b>(321)</b>	<b>9,757</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	2,147			(2,147)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,614			(1,614)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,761</b>	<b>-</b>	<b>-</b>	<b>(3,761)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		-		-
Application of capital grants to finance capital expenditure			321	(321)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>321</b>	<b>(321)</b>
<b>Total Adjustments</b>	<b>(5,675)</b>	<b>-</b>	<b>-</b>	<b>5,675</b>

## Notes to the core financial statements

OPCC 2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	-			-
Council tax and NDR (transfers to or from the Collection Fund)	(269)			269
Holiday pay (transferred to the Accumulated Absences reserve)	(9)			9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,057)		(1,091)	7,148
<b>Total Adjustments to Revenue Resources</b>	<b>(6,335)</b>	<b>-</b>	<b>(1,091)</b>	<b>7,426</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-		-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,582			(1,582)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	961			(961)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,543</b>	<b>-</b>	<b>-</b>	<b>(2,543)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		-		-
Application of capital grants to finance capital expenditure			1,091	(1,091)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,091</b>	<b>(1,091)</b>
<b>Total Adjustments</b>	<b>(3,792)</b>	<b>-</b>	<b>-</b>	<b>3,792</b>



## 2. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Group/OPCC's services.

2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000
179,775	36,165	215,940
1,362	9	1,371
2,858	-	2,858
-	57	57
<b>183,995</b>	<b>36,231</b>	<b>220,226</b>
(186,603)	29,305	(157,298)
<b>(2,608)</b>	<b>65,536</b>	<b>62,928</b>
(24,663)		
(2,608)		
<b>(27,271)</b>		

<b>GROUP</b>	2020/21		
	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
<i>Note</i>	£000	£000	£000
Policing Services	192,122	34,049	226,171
Corporate & Democratic Core	1,447	12	1,459
Commissioning	3,088	-	3,088
Non-Distributed Costs	-	(948)	(948)
<b>Net Cost of Services</b>	<b>196,657</b>	<b>33,113</b>	<b>229,770</b>
Other Income and Expenditure	(199,275)	27,058	(172,217)
<b>Surplus or Deficit on Provision of Services</b>	<b>(2,618)</b>	<b>60,171</b>	<b>57,553</b>
Opening Combined General Fund Balance	(27,271)		
Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	(2,618)		
<b>Closing Combined General Fund Balance</b>	<b>(29,889)</b>		

## Notes to the core financial statements

2019/20			2020/21			
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	<b>OPCC</b>	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
			<i>Note</i>		<i>2.1</i>	
£000	£000	£000		£000	£000	£000
1,267	9	1,276	Corporate & Democratic Core	1,344	12	1,356
2,858	-	2,858	Commissioning	3,088	-	3,088
-	-	-	Non-Distributed Costs	-	-	-
<b>4,125</b>	<b>9</b>	<b>4,134</b>	<b>Net Cost of Services</b>	<b>4,432</b>	<b>12</b>	<b>4,444</b>
(6,733)	3,783	(2,950)	Other Income and Expenditure	(7,050)	5,663	(1,387)
<b>(2,608)</b>	<b>3,792</b>	<b>1,184</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>(2,618)</b>	<b>5,675</b>	<b>3,057</b>
(24,663)			Opening Combined General Fund Balance	(27,271)		
(2,608)			Plus / less Surplus or Deficit on the General Fund for the Year (Statutory basis)	(2,618)		
<b>(27,271)</b>			<b>Closing Combined General Fund Balance</b>	<b>(29,889)</b>		

### 2.1 Note to Expenditure and Funding Analysis

GROUP	2020/21				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	7,187	28,397	(1,535)	-	34,049
Corporate & Democratic Core	-	-	12	-	12
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	(948)	-	-	(948)
<b>Net Cost of Services</b>	<b>7,187</b>	<b>27,449</b>	<b>(1,523)</b>	<b>-</b>	<b>33,113</b>
Other Income and Expenditure	(725)	26,436	1,347	-	27,058
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>6,462</b>	<b>53,885</b>	<b>(176)</b>	<b>-</b>	<b>60,171</b>

## Notes to the core financial statements

GROUP	2019/20				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	6,342	30,822	(999)	-	36,165
Corporate & Democratic Core	-	-	9	-	9
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	57	-	-	57
<b>Net Cost of Services</b>	<b>6,342</b>	<b>30,879</b>	<b>(990)</b>	<b>-</b>	<b>36,231</b>
Other Income and Expenditure	(1,245)	30,281	269	-	29,305
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>5,097</b>	<b>61,160</b>	<b>(721)</b>	<b>-</b>	<b>65,536</b>

OPCC	2020/21				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Corporate & Democratic Core	-	-	-	-	-
Commissioning	-	-	12	-	12
Non-Distributed Costs	-	-	-	-	-
<b>Net Cost of Services</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>12</b>
Other Income and Expenditure	6,462	-	(799)	-	5,663
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>6,462</b>	<b>-</b>	<b>(787)</b>	<b>-</b>	<b>5,675</b>

OPCC	2019/20				
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Corporate & Democratic Core	-	-	9	-	9
Commissioning	-	-	-	-	-
Non-Distributed Costs	-	-	-	-	-
<b>Net Cost of Services</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>9</b>
Other Income and Expenditure	5,096	-	(1,313)	-	3,783
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>5,096</b>	<b>-</b>	<b>(1,304)</b>	<b>-</b>	<b>3,792</b>

## 2.2 Expenditure and Income Analysed by Nature (Group)

This note provides an alternative breakdown of the Group's *cost of services* using descriptions used in the Group's internal management reporting. It is provided to allow the reader of these financial statements an opportunity to see what the major areas of expenditure and income are for the Group.

It should be noted that this analysis includes some items within *cost of services* that are not required to be charged against the general fund for council tax purposes – this analysis does not therefore constitute the revenue budget of the Group.

2019/20 £000	Nature of Expenditure or Income	Note	2020/21 £000
106,068	Police officer pay and allowances		114,990
54,951	Police staff pay and allowances		59,316
3,237	Police pensions		3,588
30,822	IAS 19 Current Cost Adjustment (pensions)	27	28,397
1,509	Other employees expenses		1,043
5,863	Premises		5,409
3,394	Transport		3,127
18,312	Supplies and services		19,027
5,537	Agency and contracted services		6,182
1,371	The Office of the Police and Crime Commissioner		1,459
6,116	Commissioning Activities by the PCC		8,117
163	Revenue expenditure financed from capital resources (REFCUS)	14/30	78
5,617	Depreciation & amortisation charges	12/13	6,258
1,475	(Surplus) / deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	13	2,421
57	Non-distributed costs regarding pensions	27	(948)
<b>244,492</b>	<b>Gross operating expenditure</b>		<b>258,464</b>
(9,194)	Income from government grants	11	(13,565)
(10,207)	Income from fees and charges		(8,875)
(1,607)	Contributions from other local authorities		(1,225)
(3,258)	Commissioning grant		(5,029)
<b>220,226</b>	<b>Cost of services</b>		<b>229,770</b>
124	Other operating expenditure	3	44
56,968	Financing and investment income & expenditure	4	52,805
(188,239)	Taxation & non-specific grant income	5	(199,284)
(26,151)	Grant received from the Home Office in respect of the pension fund account	27	(25,782)
<b>62,928</b>	<b>(Surplus) or deficit on provision of services</b>		<b>57,553</b>
1,169	(Surplus) / deficit on revaluation of non-current assets	29	81
(48,973)	Actuarial (gains) / losses on pension assets/liabilities	26	375,424
<b>(47,804)</b>	<b>Other comprehensive income &amp; expenditure</b>		<b>375,505</b>
<b>15,124</b>	<b>Total comprehensive income &amp; expenditure</b>		<b>433,058</b>

## 3. Other operating expenditure (Group & OPCC)

This line on the Comprehensive Income & Expenditure Statement includes the following items:

2019/20 Outturn £000		Note	2020/21 Outturn £000
124	(Gains)/losses on the disposal of non-current assets	12/13	44
<b>124</b>			<b>44</b>

## 4. Financing and investment income & expenditure (Group & OPCC)

This line on the Comprehensive Income & Expenditure Statement includes the following items:

2019/20 OPCC £000	2019/20 Group £000		Note	2020/21 OPCC £000	2020/21 Group £000
709	709	Interest payable and similar charges		611	611
-	56,432	Pensions net interest cost	27	-	52,218
(149)	(149)	Interest receivable and similar income		(7)	(7)
(24)	(24)	Income and expenditure in relation to investment properties		(17)	(17)
-	-	Changes in the market value of investment properties	30	-	-
<b>536</b>	<b>56,968</b>			<b>587</b>	<b>52,805</b>

## 5. Taxation and non-specific grant income (Group & OPCC)

This line on the Comprehensive Income & Expenditure Statement includes the following items:

2019/20 Outturn £000		Note	2020/21 Outturn £000
(72,239)	Council tax income	8	(75,973)
(74,765)	Police grant		(79,933)
(39,866)	Ex-CLG grant		(42,608)
(1,369)	Capital grants and contributions		(769)
<b>(188,239)</b>			<b>(199,284)</b>

Council tax income is presented on an accruals basis whilst the police and Ex Communities and Local Government grants are on a cash basis – the full amount having been received in the year. Further explanation regarding the accounting treatment for council tax can be seen in accounting policy A7.

A breakdown of the amounts received from each billing authority can be seen in note 8 – Related parties (on an accruals basis)

## 6. Officers' remuneration (Group & OPCC)

The remuneration paid to the OPCC/Group's senior officers and relevant police officers is as follows:

2020/21	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£ Note 1	£ Note 2	£	£
<b>The Office of the CC</b>							
Chief Constable – Mr Simon Cole		155,101	-	4,540	8,903	-	168,544
Deputy Chief Constable		127,950	-	3,376	5,027	39,665	176,018
Assistant Chief Constables							
Senior Police Officer N		118,009	-	3,376	5,027	36,583	162,994
Senior Police Officer O		112,874	-	-	3,475	33,429	149,778
Senior Police Officer P		106,447	-	2,633	5,027	28,153	142,260
Assistant Chief Officers							
Finance Director	4	108,156	-		5,542	24,660	138,357
ACO Human Resources		88,410	-		5,527	20,158	114,095
		816,946	-	13,925	38,528	182,647	1,052,046
<b>Office of the PCC</b>							
Chief Executive		93,596	-	-	-	21,340	114,936
		93,596	-	-	-	21,340	114,936
<b>Group</b>		<b>910,542</b>	<b>-</b>	<b>13,925</b>	<b>38,528</b>	<b>203,986</b>	<b>1,166,981</b>

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force).

**Note 2** - Expense allowances include car allowances for employees who provide their own vehicles and private health care.

**Note 3** – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

**Note 4** –The Assistant Chief Officer (Finance & Resources) for Leicestershire is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner. The senior officer remuneration in respect of the CFO role is disclosed in the Statement of Accounts for the Chief Constable and Police and Crime Commissioner Group financial statements. For 2020/21 the OPCC contributed £6k towards these costs.

## Notes to the core financial statements

2019/20	Notes	Salary	Benefits in kind	Other payments	Expense allowances	Pension contributions	Total
		£	£	£ Note 1	£ Note 2	£	£
<b>The Office of the CC</b>							
Chief Constable – Mr Simon Cole	-	151,317		4,540	8,903	-	164,760
Deputy Chief Constable	-	124,830		3,376	5,027	38,697	171,930
Assistant Chief Constables							
Senior Police Officer L (until 28/04/19)	-	8,806		281	391	2,256	11,734
Senior Police Officer N	-	113,851		3,376	5,027	34,921	157,175
Senior Police Officer O	-	103,546		-	5,027	27,466	136,039
Senior Police Officer P ( <i>Commenced 28/12/19</i> )	4	29,079	-	658	1,419	7,832	38,988
Assistant Chief Officers							
Finance Director	6	103,079	-	-	5,515	22,471	131,065
Human Resources (from 01/08/19 until 01/12/19)	6	28,868	-	-	625	6,344	35,837
Human Resources (Commenced 13/01/2020)	6	18,974	-	-	1,220	4,136	24,330
		682,350	-	12,231	33,154	144,123	871,858
<b>Office of the PCC</b>							
Chief Executive	7	86,006		-	-	18,749	104,755
Chief Financial Officer (until 08/09/2019)	7	31,651		-	-	6,660	38,311
		117,657	-	-	-	25,409	143,066
<b>Group</b>	<b>-</b>	<b>800,007</b>	<b>-</b>	<b>12,231</b>	<b>33,154</b>	<b>169,532</b>	<b>1,014,924</b>

**Note 1** – Rent allowance is paid under Police Regulations 1987 as amended by the Police Regulations 1990 and 1994. Housing allowance is the alternative to rent allowance (dependant upon when the officer joined the Force).

**Note 2** - Expense allowances include car allowances for employees who provide their own vehicles and private health care.

**Note 3** – All chief officers have forgone their eligibility to be considered for an annual performance related bonus payment.

**Note 4** – Senior Officer P (ACC rank) commenced on the 20<sup>th</sup> December on an annualised salary of £103,021

**Note 6** – From August 2019 the arrangement with Northamptonshire to share an Assistant Chief (Human Resources) ceased. The remuneration associated with the post for the period April to July is reflected in the Northamptonshire accounts with Leicestershire contributing towards the costs. A new role has now been established in Leicestershire on an annualised salary of £87,138. This was covered on a temporary basis by the Head of HR until the 1<sup>st</sup> December. The new post holder took up their position on the 13<sup>th</sup> January 2020.

**Note 7** – From the September 2019, The Assistant Chief Officer (Finance & Resources) for Leicestershire is the Chief Finance Officer for both the Chief Constable and Police and Crime Commissioner. The senior officer remuneration in respect of the CFO role is disclosed in the Statement of Accounts for the Chief Constable and Police and Crime Commissioner Group financial statements. For 2019/20 the OPCC contributed £4k towards these costs. Prior to September 2019 the Assistant Chief Officer (Finance and Resources) was shared between Leicestershire and Northamptonshire.

## Notes to the core financial statements

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

### Group

Remuneration band £		2019/20 number of employees	2020/21 number of employees
50,000 to 54,999		10	27
55,000 to 59,999		3	3
60,000 to 64,999		2	5
65,000 to 69,999		6	4
70,000 to 74,999		3	6
75,000 to 79,999		1	1
80,000 to 84,999		-	1
85,000 to 89,999		2	1
90,000 to 94,999		2	1
95,000 to 99,999		1	-
120,000 to 124,999		-	1

- A number of police staff roles have been reviewed during the year moving a number of employee's remuneration into the £50k-£55k banding.
- The bandings only include the remuneration of employees and senior police officers who have not been disclosed individually; i.e. above the rank of Superintendent.
- Three of the above posts are National / seconded positions for which the Force receives external funding.
- Leicestershire OPCC is the lead employer for the following regional teams; East Midlands Special Operations Unit, East Midlands Collaborative Human Resources Service (EMCHRS) Learning & Development and Occupational Health, and Emergency Services Network Collaboration, eight of the police staff employees police officer included in the table above work in the regional teams. Leicestershire only meets its share of their costs with the remainder being funded by the other regional forces.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

### Group

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	2	3	2	-	4	3	37,547	20,484
£20,001 - £40,000	1	-	-	-	1	-	24,264	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	1	-	-	-	1	-	76,469	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	1	-	-	-	1	-	131,223	-
<b>total</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>7</b>	<b>3</b>	<b>269,503</b>	<b>20,484</b>

The table above only includes the exit packages for employees who have not been disclosed individually.

The OPCC/Group terminated the contracts of a number of employees in 2020/21, incurring liabilities of £20k (£270k in 2019/20).



## 7. Jointly Controlled Operations (Group)

The Group participates in collaborative arrangements with other East Midlands Forces. The police officers involved are seconded from the individual forces and all costs are borne in agreed proportions. Details of the member forces are set out in the table below (where reference is made to 'all 5 forces' this refers to Leicestershire, Derbyshire, Nottinghamshire, Northamptonshire and Lincolnshire).

### East Midlands (EM) Jointly Controlled Operations

Jointly Controlled Operation	Member Forces	Ownership %	Lead Force
EM Special Operations Unit (inc Technical Support Unit)	All 5 Forces	22.90 %	Leicestershire
EM Major Crime	All 5 Forces	22.90 %	Leicestershire
EM Forensics	All 5 Forces	22.90 %	Derbyshire
EM Criminal Justice	Leicestershire, Nottinghamshire, Northamptonshire and Lincolnshire	29.30 %	Lincolnshire
Specialist Operations Training	Leicestershire, Northamptonshire and Lincolnshire	44.90%	Leicestershire
EM Legal Services	All 5 Forces	22.90 %	Derbyshire
EM Occupational Health	All 5 Forces	22.90 %	Leicestershire
EM Learning & Development	Leicestershire, Nottinghamshire, Northamptonshire and Derbyshire	26.36 %	Leicestershire
EM HR Shared Service Centre	Leicestershire & Derbyshire	50.00 %	Derbyshire
EM ESN Programme Team	All 5 Forces	22.60 %	Leicestershire
ASU (Hangar Only)	Leicestershire, Northamptonshire and Warwickshire	33.33 %	Leicestershire

The following tables relate to Leicestershire's share only.

### 7.1 Comprehensive Income & Expenditure Statement Jointly Controlled Operations

2019/20 £000		2020/21 £000
1,097	Police pay & allowances	2,777
5,286	Police Staff pay & allowances	5,431
134	Other employees expenses	151
175	Premises	132
208	Transport	277
1,001	Supplies & services	1,003
718	Agency & contracted services	16
(827)	Income from Government Grants	(997)
(413)	Income from Fees & charges	(272)
(7,662)	Funding provided to the pooled budget	(8,789)
324	Depreciation & Amortisation	344
-	(Surplus) / Deficit on revaluation of non-current assets (not covered by accumulated revaluation gains)	-
<b>41</b>	<b>Cost of Services</b>	<b>73</b>
7	Gains / Losses on disposal of non-current assets	-
-	Capital Grants & Contributions	(97)
<b>48</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(24)</b>
7	(Surplus) / Deficit on revaluation on non-current assets (covered by accumulated revaluation gains)	(37)
<b>55</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(61)</b>

## 7.2 Balance Sheet Jointly Controlled Operations

2019/20 £000		2020/21 £000
68	Intangible Fixed Assets	28
1,936	Land & Buildings	1,934
580	Vehicles & equipment	724
-	Assets Under Construction	-
<b>2,584</b>	<b>Total Long Term Assets</b>	<b>2,686</b>
830	Short-term Debtors	609
	Assets held for sale	-
732	Cash & Cash Equivalents	1,310
1,562	<b>Current Assets</b>	<b>1,919</b>
(761)	Short-term Creditors	(1,158)
(761)	<b>Current Liabilities</b>	<b>(1,158)</b>
<b>801</b>	<b>Net Current Liabilities</b>	<b>761</b>
<b>3,385</b>	<b>Net Assets</b>	<b>3,447</b>
(960)	Earmarked Reserves	(941)
<b>(960)</b>	<b>Usable Reserves</b>	<b>(941)</b>
(2,527)	Capital Adjustment Account	(2,592)
(55)	Revaluation Reserve	(92)
157	Accumulated Absences Account	178
<b>(2,425)</b>	<b>Unusable Reserves</b>	<b>(2,506)</b>
<b>(3,385)</b>	<b>Total Reserves</b>	<b>(3,447)</b>

### 7.3 Movement in Reserves Jointly Controlled Operations

2019/20	2020/21				
Total all JCO Reserves £000		Total General Fund £000	Earmarked Reserves £000	Total Unusable Reserves £000	Total all JCO Reserves £000
(3,440)	<b>Balance Brought Forward</b>	-	(960)	(2,426)	(3,386)
48	(Surplus) or deficit on the provision of services	(24)			(24)
7	Other comprehensive income & expenditure	(37)			(37)
<b>55</b>	<b>Total comprehensive income &amp; expenditure</b>	<b>(61)</b>	<b>-</b>	<b>-</b>	<b>(61)</b>
-	Adjustments between accounting basis & funding basis under regulations				
-	Depreciation / amortisation	(344)		344	
-	Disposal of non-current assets			-	
-	Revaluation of non-current assets	-		-	
-	Revaluation of non-current assets held for sale			-	
-	Capital grants / contributions applied to capital expenditure	97		(97)	
-	Revenue Expenditure Funded From Capital (REFCUS)			-	
-	Charges for Employee Benefits	(23)		23	
-	Capital grants / contributions unapplied credited / debited to CIES			-	
-	<b>Insertion of items not debited or credited to the CIES</b>			-	
-	Capital expenditure charged against the General Fund	313		(313)	
-	Revaluation of non-current assets not charged to CIES	37		(37)	
<b>55</b>	<b>Net (increase)/decrease before transfers to/(from) earmarked reserves</b>	<b>19</b>	<b>-</b>	<b>(80)</b>	<b>(61)</b>
-	Transfers to/(from) earmarked reserves	(19)	19		
<b>55</b>	<b>(Increase)/decrease in 2019/20</b>	<b>-</b>	<b>19</b>	<b>(80)</b>	<b>(61)</b>
<b>(3,385)</b>	<b>Balance at end of year</b>	<b>-</b>	<b>(941)</b>	<b>(2,506)</b>	<b>(3,447)</b>

### 8. Related parties (Group & OPCC)

The OPCC/Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the OPCC/Group or to be controlled or influenced by the OPCC/Group. Disclosure of these transactions allows readers to assess the extent to which the OPCC/Group might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the OPCC/Group.

Central government has significant control over the general operations of the OPCC/Group. It is responsible for providing the statutory framework within which the OPCC/Group operates, and provides the majority of funding in the form of general or specific grants.

Senior officers of the OPCC have direct control or influence over the OPCC/Group's financial and operating policies. No material related party transactions have been identified following consultation with former members and relevant officers.

The OPCC/Group participates in 11 jointly controlled operations with other neighbouring police forces. See note 7 for further details.

In addition to the above, the OPCC/Group also had transactions during the year with other local authorities and public bodies. The transactions have been disclosed elsewhere within the notes to the financial statements.

## Notes to the core financial statements

Precept funding was received from the following local authorities during the year:

2019/20 £000	Amounts are shown on an accruals basis	2020/21 £000
(7,471)	Blaby District Council	(7,796)
(12,752)	Charnwood Borough Council	(13,502)
(7,797)	Harborough District Council	(8,476)
(8,588)	Hinckley & Bosworth Borough Council	(9,026)
(16,545)	Leicester City Council	(17,083)
(4,157)	Melton Borough Council	(4,373)
(7,567)	North-West Leicestershire District Council	(8,004)
(3,894)	Oadby & Wigston Borough Council	(4,076)
(3,468)	Rutland County Council	(3,638)
<b>(72,239)</b>	<b>Total</b>	<b>(75,973)</b>

A further analysis of grants and contributions received can be seen in the grant income note (Note 11).

The Police & Crime Commissioner undertakes commissioning activities that result in payments made to a variety of large and small partner organisations (particularly in the public and voluntary/charitable sectors) to commission outcomes against his Police and Crime Plan. In the case of the smallest organisations, these funds may form a significant proportion of their total funding requirement.

### 9. External audit costs (Group & OPCC)

In 2020/21 the OPCC/Group incurred the following fees relating to external audit.

2019/20		Costs	2020/21	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
25	37	Scale Fee	25	37
-	-	Additional Fees 2019/20	13	18
3	11	Additional Fees 2018/19	6	6
(3)	(5)	Audit Rebate	-	-
<b>25</b>	<b>43</b>	<b>Total</b>	<b>44</b>	<b>61</b>

### 10. Leases (Group & OPCC)

#### 10.1 OPCC as lessee

##### Finance leases

The OPCC holds three finance leases in respect of the land at the Spinney Hill, two rooms at Market Bosworth and one for shared accommodation at Coalville Fire Station. In entering into the Spinney Hill lease in 2005, the OPCC made an initial lump sum payment which negated the need to make further payments to the landlord over the 99 years of the lease. The Market Bosworth lease was signed in April 2005, no initial payment was made but an annual peppercorn rent of £1 is payable for the duration of the 99 year lease. The long lease for accommodation at Coalville Fire Station was entered into in January 2018. In entering into the lease the OPCC made an initial lump sum payment towards the cost of the extension negating the need to make any future lease rental payments. The OPCC will only contribute towards the annual running costs of the building.

##### Operating leases

Future minimum lease payments due to be made by the OPCC in respect of non-cancellable operating leases are analysed as follows:

2019/20		2020/21				
Total		Property	Vehicles	Photo-copiers	Other Equipment	Total
£000		£000	£000	£000	£000	£000
470	Payments recognised as an expense	289	6	35	52	382
	<b>Minimum lease payments</b>					
	Payable:					
49	Not later than one year	8	-	34	15	57
192	Later than one year and not later than five years	53	18	5	41	117
3,485	Later than five years	3,229	-	-	-	3,229

A number of beat offices are used by the OPCC/Group to support its community policing commitments. Many of these offices are rooms or facilities that are owned by other local authorities or organisations that kindly provide use of them to the OPCC/Group. In the majority of cases these facilities are provided informally although some rooms/facilities are more formally documented. The OPCC/Group does not pay for the use of these facilities, take responsibility for repairs and upkeep nor has any intention to seek ownership (whether in full or in part) of these facilities.

## 10.2 OPCC as lessor (Group & OPCC)

### Operating leases

The OPCC leases out office accommodation and space on radio masts under operating leases for the following purposes:

- Space on radio masts for telecommunication services

The future minimum lease payments receivable under non-cancellable leases in future years are:

2019/20 £000		2020/21 £000
	<b>Minimum lease receivables</b>	
	Receivable:	
-	Not later than one year	34
284	Later than one year and not later than five years	491
984	Later than five years	544

## 11. Grant income (Group & OPCC)

The OPCC/Group credited the following grants and contributions to the Comprehensive Income & Expenditure Statement during the year. The grants are included in the cost of services section and also shown separately in the subjective analysis note (note 2.2)

2019/20 £000		2020/21 £000
	<b>Credited to services:</b>	
-	Covid-19 Grant	(2,557)
(2,825)	Dedicated Security Grant	(2,746)
(819)	Proceeds of Crime Act/Incentivisation	(827)
(827)	EMSOU (22.9% Share)	(997)
(462)	Special Operations	(421)
(1,400)	Serious Violent Crime Initiatives	(915)
(1,903)	Police Pensions Grant	(1,903)
(428)	Police Uplift Programme Grant	(2,498)
(530)	Others	(701)
<b>(9,194)</b>	<b>Total</b>	<b>(13,565)</b>

The OPCC/Group has received a number of grants and contributions related to capital expenditure that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the source of the funds if not met. These amounts are held within the capital grants receipts in advance account and are as follows:

2019/20 £000	<i>Capital grants receipts in advance</i>	2020/21 £000
(300)	S106 Developer Contributions	(231)
(53)	Local Authority Contributions	-
<b>(353)</b>	<b>Total</b>	<b>(231)</b>

## 12. Intangible Assets (Group & OPCC)

2019/20 £000	Software Licenses	2020/21 £000
	<b>Balance at start of year</b>	
5,628	Gross carrying amounts	6,713
(4,042)	Accumulated amortisation	(4,826)
<b>1,586</b>	<b>Net carrying amount at start of year</b>	<b>1,887</b>
623	Additions	766
(11)	Disposals	(318)
473	Transfers	884
(795)	Amortisation for the period	(921)
11	Amortisation on disposals	318
<b>1,887</b>	<b>Net carrying amount at end of year</b>	<b>2,616</b>
	Comprising:	
6,713	Gross carrying amounts	8,045
(4,826)	Accumulated amortisation	(5,429)
<b>1,887</b>		<b>2,616</b>

### Transfers

This heading represents the transfer in/(out) of intangible non-current assets between either *assets under construction* (most common) and *assets held for sale* (least common in the case of intangibles) on the balance sheet. The transfer from *assets under construction* in particular occurs regularly as the organisational capital programme delivers outputs.

In 2020/21 £884k was transferred from *assets under construction* in relation to phase 2 of the national Cycomms upgrade, hosted by Leicestershire

### Amortisation

The following useful lives have been used in the calculation of amortisation:

- 1 – 15 years

### 13. Property, plant and equipment (Group & OPCC)

Bruton Knowles Chartered Surveyors have been engaged on behalf of the OPCC/Group to provide valuation services. This is a new appointment for 2020/21. A full revaluation of the PCC's estate was undertaken in 2018/19 in accordance with the 'code' to undertake a valuation at least every 5 years.

The valuation has been updated for the properties which are valued on the basis of 'depreciated replacement cost' (DRC) and 5 of the properties valued using 'open market value'. All of the properties were inspected and valued as at the 31<sup>st</sup> December 2020. The valuer subsequently confirmed that there had been no material change in these property values between 31<sup>st</sup> December 2020 and the 31<sup>st</sup> March 2021. The valuations of the land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The properties valued during 2020/21 account for approximately 85% of the opening 'Land and Building' balance sheet value. The impact of any movement is contained within the figures below.

The land & buildings net carrying amount below includes £133k in respect of the land at Spinney Hill. The land is held under a finance lease. The figure also includes £18.1k in respect of two rooms at Market Bosworth and £200k in relation to the shared building with the Fire Service at Coalville, both of these are classed as Finance Leases.

	Land and buildings	Vehicles	Equipment	Assets under construction	Total PPE
2020/21	£000	£000	£000	£000	£000
<b>Cost or valuation</b>	59,992	8,746	20,816	1,256	90,810
At 1 April 2020					-
Additions	1,536	1,746	3,904	807	7,993
Revaluations / impairments recognised in the Revaluation Reserve	(712)	-	-	-	(712)
Revaluations / impairments recognised in the surplus/deficit on the provision of services	(2,933)	-	-	-	(2,933)
Disposals	-	(505)	(1,016)	-	(1,521)
Transfers	481	208	126	(1,699)	(884)
<b>At 31 March 2021</b>	<b>58,364</b>	<b>10,195</b>	<b>23,830</b>	<b>364</b>	<b>92,753</b>
<b>Accumulated depreciation and impairment</b>	(210)	(5,906)	(14,522)	-	(20,638)
At 1 April 2020					-
Depreciation charge	(1,272)	(936)	(3,129)	-	(5,337)
Impairment Losses	-	-	-	-	-
Disposals	-	447	986	-	1,433
Adjustment due to revaluations – Depreciation written out to the Revaluation Reserve	631	-	-	-	631
Adjustment due to revaluations – Depreciation written out to the Comprehensive Income and Expenditure	512	-	-	-	512
<b>At 31 March 2021</b>	<b>(339)</b>	<b>(6,395)</b>	<b>(16,665)</b>	<b>-</b>	<b>(23,399)</b>
<b>Net book value</b>					
<b>at 31 March 2021</b>	<b>58,025</b>	<b>3,800</b>	<b>7,165</b>	<b>364</b>	<b>69,354</b>
at 31 March 2020	59,782	2,840	6,294	1,256	70,172



	Land and buildings	Vehicles	Equipment	Assets under construction	Total PPE
2019/20	£000	£000	£000	£000	£000
<b>Cost or valuation</b>	-	-	-	-	-
At 1 April 2019	57,436	8,720	18,503	4,348	89,007
Additions	1,659	557	2,571	2,459	7,246
Revaluations / impairments recognised in the Revaluation Reserve	(1,754)	-	-	-	(1,754)
Revaluations / impairments recognised in the surplus/deficit on the provision of services	(1,899)	-	-	-	(1,899)
Disposals	-	(953)	(273)	-	(1,226)
Transfers	4,550	513	15	(5,551)	(473)
<b>At 31 March 2020</b>	<b>59,992</b>	<b>8,837</b>	<b>20,816</b>	<b>1,256</b>	<b>90,901</b>
<b>Accumulated depreciation and impairment</b>					
At 1 April 2019	(2)	(5,911)	(12,058)	-	(17,971)
Depreciation charge	(1,216)	(800)	(2,718)	-	(4,734)
Disposals	-	(88)	-	-	(88)
Adjustment due to revaluations – Depreciation written out to the Revaluation Reserve	-	802	254	-	1,056
Adjustment due to revaluations – Depreciation written out to the Comprehensive Income and Expenditure	584	-	-	-	584
Adjustment in respect of transfers	424	-	-	-	424
<b>At 31 March 2020</b>	<b>(210)</b>	<b>(5,997)</b>	<b>(14,522)</b>	<b>-</b>	<b>(20,729)</b>
<b>Net book value</b>					
<b>at 31 March 2020</b>	<b>59,782</b>	<b>2,840</b>	<b>6,294</b>	<b>1,256</b>	<b>70,172</b>
at 31 March 2019	57,434	2,809	6,445	4,348	71,036

## Transfers

This heading represents both the transfer of *assets under construction* into the relevant asset heading when they come into use or the transfer of property assets to *assets held for sale* on the balance sheet. Both types of transfer occur regularly as the organisational capital programme delivers outputs and as the estate continues to be rationalised.

## Depreciation

The following useful lives have been used in the calculation of depreciation:

- Buildings – 9 – 95 years
- Land – not depreciated
- Vehicles – 5 years
- Equipment – 3 – 25 years
- Assets under construction – not depreciated

## Capital commitments

As at 31st March 2021, the OPCC had entered into a number of contracts for the construction or enhancement of property, plant and equipment to be completed in 2021/22 these are budgeted to cost £0.8m.

## Effects of Changes in Estimates

Bruton Knowles have taken a different approach to the land valued at FHQ and have included the area of the full site. This is due to all of the land, although not built upon, being in use and contributing to the level of service maintained. Therefore Bruton Knowles consider it is a reasonable assumption that a similar area of land would be required to maintain the same level of service.

## Revaluations

The figures shown in the tables above include both upward and downward revaluations of tangible non-current assets. These movements are captured in either the revaluation reserve (balance sheet) or the *other comprehensive income and expenditure* section of the comprehensive income and expenditure statement. Refer to accounting policy A18 (note 41) for further information.

## Assets under Construction

As at 31<sup>st</sup> March 2021 we had 12 vehicles classed as Assets Under Construction as these had not been commissioned for operational purposes and a number of computer systems under development.

## 14. Capital expenditure and capital financing (Group & OPCC)

In accordance with the Code, capital expenditure is financed on an accruals basis.

2019/20 £000		2020/21 £000
24,463	<b>Opening capital financing requirement</b>	28,583
	<i>Capital investment</i>	
5,573	Operational assets	8,030
2,459	Non-operational assets	807
	<i>Sources of finance</i>	
-	Capital receipts	
(1,369)	Government grants & other contributions	(769)
-	Use of Government Grant Reserve	-
(961)	Revenue contribution	(1,614)
(1,582)	Revenue provision (incl. MRP)	(2,147)
<b>28,583</b>	<b>Closing capital financing requirement</b>	<b>32,890</b>
	<b>Explanations of movements in year</b>	
-	Increase/ (decrease) in underlying need to borrow (supported by government financial assistance)	
4,120	Increase in underlying need to borrow (unsupported by government financial assistance)	4,307
<b>4,120</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>4,307</b>

The figure shown above for capital expenditure during 2020/21 differs from the amounts shown as additions on (a) the intangible and (b) property, plant and equipment notes (notes 12 and 13 respectively). The figure can be reconciled as follows:

2019/20 £000		2020/21 £000
8,032	Capital expenditure for the year (as above)	8,837
(163)	<b>Less:</b> Revenue expenditure financed from capital resources under statute (REFCUS) in the year	(78)
<b>7,869</b>		<b>8,759</b>

There have been no capital receipts received in the year.

## 15. Assets held for sale (Group & OPCC)

No properties were sold in year or classified as an asset held for sale as at 31<sup>st</sup> March 2021.

## 16. Debtors (Group & OPCC)

### 16.1 Long-Term Debtors

At the balance sheet date, five car loans to employees were outstanding (2019/20 - 7). The loans are made to employees who are in posts who are designated as 'essential car users', the interest rate applicable to each loan is fixed to the Bank of England base rate and is not variable during the life of the loan.

Long term sundry debtors includes IT spend for future years' maintenance and support.

### 16.2 Short-Term Debtors

31st March 2020			31st March 2021	
OPCC £000	Group £000		OPCC £000	Group £000
		<b>Short-term debtors</b>		
8,465	8,495	Central Government Bodies	13,686	13,716
5,933	5,957	Other Local Authorities	7,255	7,280
4,629	4,675	Other Entities and Individuals	4,096	4,174
<b>19,027</b>	<b>19,127</b>		<b>25,037</b>	<b>25,170</b>

Central government bodies (above) includes the Home Office pension fund top up grant of £3,003k (£2,627k in 2019/20)

Included within the Local authorities figures above are debtors in respect of the OPCC/Group's share of council tax collection fund debtors of £3,980k (£3,039k in 2019/20).

Debtors of £4.7m relate to Home office income for the final quarter of the year where the Force is acting as an agent.

## 17. Cash & cash equivalents (Group & OPCC)

This heading on the Balance Sheet is made up of the following elements:

31st March 2020 £000		31st March 2021 £000
4,513	Bank accounts & petty cash	1,949
9,005	Cash investments (less than three months maturity)	13,000
(4,577)	Adjustment for cash & cash equivalents held on behalf of joint arrangements	(3,812)
<b>8,941</b>	<b>Total cash &amp; cash equivalents</b>	<b>11,137</b>

The cash investments figure above is those deposits made by the OPCC/Group which mature within three months and are outstanding at the balance sheet date.

## 18. Deferred liabilities (Group & OPCC)

There are no deferred liabilities for 2020/21.

## 19. Creditors (Group & OPCC)

31st March 2020			31st March 2021	
OPCC £000	Group £000		OPCC £000	Group £000
		<b>Short-term creditors</b>		
(342)	(3,985)	Central Government Bodies	(10,624)	(14,524)
(6,372)	(6,372)	Other Local Authorities	(8,380)	(8,380)
(343)	(343)	NHS Bodies	(237)	(237)
(4,330)	(8,532)	Other Entities and Individuals	(4,824)	(9,639)
<b>(11,387)</b>	<b>(19,232)</b>		<b>(24,065)</b>	<b>(32,780)</b>

Included within the central government bodies figure above are creditors in respect of a number of Home Office grants totalling £9,483k. The force is acting as an agent for these grants with the funds being due to relevant police forces in 2021/22.

Included within the local authorities figures above are creditors in respect of the OPCC/Group's share of council tax collection fund creditors of £4,994k (£2,705k in 2019/20)

Included within the other entities and individuals figure above are creditors in respect of employee accumulated absences £4,847k (£4,224k in 2019/20). Further details are found in Note 32 (Accumulated Absences Account).

## 20. Borrowing (Group & OPCC)

### 20.1 Long term Borrowing

Long term borrowing is with the Public Works Loan Board (PWLB)

31st March 2020 £000	Maturity	31st March 2021 £000
-	not more than 2 years	(1,107)
(1,107)	more than 2 years - not more than 5 years	(1,175)
(8,069)	more than 5 years - not more than 10 years	(6,894)
(1,500)	more than 10 years - not more than 15 years	(1,500)
-	More than 15 years	-
<b>(10,676)</b>		<b>(10,676)</b>

A significant proportion of the OPCC/Group's long-term borrowing – 78.6% matures more than 5 years after the balance sheet date. The maximum amount repayable in any one year is **£3.46m**.

### 20.2 Short term Borrowing

31st March 2020 £000		31st March 2021 £000
-	Short Term Loan - less than 1 year maturity	-
(1,723)	PWLB Loan – less than 1 year maturity	-
-	Interest Accrual on Short-term Loan < 1 year	-
(131)	Interest Accrual on PWLB < 1 year	(87)
<b>(1,854)</b>		<b>(87)</b>

## 21. Financial instruments (Group & OPCC)

A financial instrument is any contract that results in a financial asset on the balance sheet of one entity (for example the OPCC) and a financial liability or equity instrument on the balance sheet of another entity. The term 'financial instrument' covers both financial assets and financial liabilities ranging from the most straightforward (i.e. cash investments, debtors and creditors) to the most complex (i.e. derivatives and embedded derivatives).

Financial assets have a carrying amount which is assumed to approximate the fair value due to the fact they are due to mature within 12 months of the balance sheet date (in the case of short-term assets, such as money market funds). The Long-term debtors are also assumed to have a fair value equal to their carrying value. In the case of debtors and creditors, the fair value is taken to be the invoiced amount.

The PWLB borrowing has a fair value that is higher than the carrying amount. This is because borrowing with the PWLB is on the basis of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The fair value of PWLB borrowing has been calculated by reference to the "premature repayment" set of rates as at 31<sup>st</sup> March 2021.

With the exception of PWLB - long term borrowing the carrying amounts and fair values of all other financial assets and liabilities are the same and are disclosed in the balance sheet and relevant notes to the accounts.

## Notes to the core financial statements

The fair value of the financial liability relating to PWLB - long term borrowing, which is carried in the balance sheet at the amortised cost is as follows:

31st March 2020		Group / OPCC	31st March 2021	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
		<b>Financial liabilities</b>		
(10,676)	(14,478)	PWLB - long term borrowing	(10,676)	(13,687)

### 22. Provisions (Group & OPCC)

	Balance at 1 April 2020 £000	additional provisions made £000	amounts used £000	unused amounts reversed £000	Balance at 31 March 2021 £000
Civil claims	(848)	(462)	171	74	(1,065)
<b>Total</b>	<b>(848)</b>	<b>(462)</b>	<b>171</b>	<b>74</b>	<b>(1,065)</b>

The civil claims provision reflects the self-insured part of public and employer's liability claims where the OPCC/Group's claims handlers have advised there is a high probability of economic benefits being transferred in the future. In addition to this specific provision, the OPCC/Group holds a civil claims reserve which holds discretionary amounts intended to smooth the impact of any claims that emerge which were not foreseen or considered likely.

Following the successful claims in Allard v Devon and Cornwall Police for unpaid overtime following recalls to duty by covert human intelligence handlers, in excess of 1500 claims have been made nationally. Leicestershire has presently received 20 claims. All litigated claims are being managed as a group through the High Court in London. Test cases are presently due to be litigated in March 2022 to establish principles of remuneration. The total cost of the claims will be dependent upon the principles established in the test cases. Leicestershire has identified when officers were on call and provisional costings have been calculated. A provision of £500k is being held for these costs as there is no insurance indemnity for these claims.

### 23. Usable reserves (Group & OPCC)

The following reserves constitute *usable reserves* as shown on the OPCC/Group's balance sheet. The balances on these reserves at the balance sheet date are set out below. Please refer to the relevant note as referenced below for a detailed analysis of any movements in these reserves.

31st March 2020 £000		Note	31st March 2021 £000
(22,271)	Earmarked reserves	25	(24,889)
(486)	Capital grants and contributions unapplied	28	(486)
(5,000)	General fund		(5,000)
<b>(27,757)</b>	<b>Total usable reserves</b>		<b>(30,375)</b>

## 24. Unusable reserves (Group & OPCC)

The following reserves constitute *unusable reserves* as shown on the OPCC/Group's balance sheet. The balances on these reserves at the balance sheet date are set out below. Please refer to the relevant note as referenced below for a detailed analysis of any movements in these reserves.

31st March 2020	31st March 2020		Note	31st March 2021	31 <sup>st</sup> March 2021
OPCC £000	Group £000			OPCC £000	Group £000
(39,038)	(39,038)	Capital adjustment account	30	(34,647)	(34,647)
(4,673)	(4,673)	Revaluation reserve	29	(4,668)	(4,668)
(335)	(335)	Collection fund adjustment account	31	1,013	1,013
-	2,294,748	Pension reserve	26		2,724,057
22	4,224	Accumulated absences account	32	34	4,847
<b>(44,024)</b>	<b>2,254,926</b>	<b>Total unusable reserves</b>		<b>(38,268)</b>	<b>2,690,602</b>

The Group's unusable reserves are in deficit due in the main to the pension reserve. The pension reserve reflects the deficit on the Group's defined benefit pension schemes and in particular the police schemes which are not funded by assets but are instead supported by central funding from the Home Office.

## 25. Transfers to/(from) earmarked reserves (Group & OPCC)

These reserves are earmarked for the specific purposes noted below:

Reserve name	Balance at 1 April 2019 £000	transfers out 2019/20 £000	transfers in 19/20 £000	Balance at 31 March 2020 £000	transfers out 2020/21 £000	transfer s in 2020/21 £000	Balance at 31 March 2021 £000
Capital expenditure	(365)	56	(166)	(475)	369	(326)	(432)
Budget equalisation	(8,979)	646	(3,598)	(11,931)	230	(1,903)	(13,604)
Proceeds of Crime Act	(489)	2	(473)	(960)	43	(548)	(1,465)
Carry-forwards (specific)	(2,461)	2,386	(2,073)	(2,148)	2,110	(2,382)	(2,420)
Civil claims	(956)	-	(130)	(1,086)	-	-	(1,086)
Adult & Child Referral Centres	(193)	-	-	(193)	-	(9)	(202)
Fleet insurance	(200)	150	(300)	(350)	-	(242)	(592)
Equipment Replacement	(824)	88	(319)	(1,055)	192	(283)	(1,146)
DBS	(89)	-	-	(89)	3	-	(86)
Commissioning	(1,804)	579	(27)	(1,252)	481	(203)	(974)
Strategic Partnership Development Fund	(110)	47	-	(63)	-	(10)	(73)
OPCC	-	-	(918)	(918)	58	(141)	(1,001)
Other	(90)	11	(2)	(81)	10	-	(71)
IOM Underspend	(236)	236	-	-	-	-	-
<b>Subtotal : OPCC/Group (direct control)</b>	<b>(16,796)</b>	<b>4,201</b>	<b>(8,006)</b>	<b>(20,601)</b>	<b>3,496</b>	<b>(6,047)</b>	<b>(23,152)</b>
Jointly Controlled Operations	(858)	206	(308)	(960)	158	(139)	(941)
<b>Subtotal : OPCC/Group (incl. jointly controlled reserves)</b>	<b>(17,654)</b>	<b>4,407</b>	<b>(8,314)</b>	<b>(21,561)</b>	<b>3,654</b>	<b>(6,186)</b>	<b>(24,093)</b>
<b>Funds held on behalf of partners</b>							
Operation Liberal	(373)	362	-	(11)	-	-	(11)
Regional collaboration	(391)	17	-	(374)	6	-	(368)
RSU Reserve	(245)	-	(80)	(325)	-	(92)	(417)
<b>Grand total : OPCC/Group (incl. reserves held on behalf of partners)</b>	<b>(18,663)</b>	<b>4,786</b>	<b>(8,394)</b>	<b>(22,271)</b>	<b>3,660</b>	<b>(6,278)</b>	<b>(24,889)</b>
movement in the year		(3,608)			(2,618)		

### Capital expenditure

This represents funds set aside from revenue to fund future capital expenditure.

### Budget equalisation

This represents revenue funds set aside to part fund the future revenue budget requirements of the OPCC/Group. The reserve is also used prudently to support the ongoing change programme and investments in the future structure of the OPCC/Group.

### Proceeds of Crime Act

These are the funds awarded to the OPCC/Group by the courts under the Proceeds of Crime Act. These funds are used to further the force's capability in financial and other investigative areas.

### Carry-forwards (specific)

This reserve includes those sums that the OPCC/Group has approved to carry forward to finance specific expenditure in 2021/22 and beyond.



### Civil claims

This reserve holds revenue funds that have been set aside where considered prudent by the OPCC/Group against Civil Claims (Public & Employer Liability) that independent advice suggests is unlikely to result in the transfer of economic benefits (i.e. to meet the criteria of a “provision”). The OPCC/Group sets aside these funds to minimise any unforeseen adverse impact on its Comprehensive Income & Expenditure Statement.

### Adult & Child Referral Centres

Funds set aside from budget underspends and partner contributions to support future projects.

### Fleet insurance

In November 21, the excess on the vehicle insurance policy increased to **£250k** from £100k. The reserve is to meet the cost of claims that fall below the excess.

### DBS (Disclosure Barring Service previously Criminal Records Bureau)

Surplus funds received from the DBS to be used for the purchase of fixtures, fittings and equipment in support of the OPCC/Group’s work on behalf of the DBS.

### Commissioning

This represents resources set aside to support the Police and Crime Commissioner’s activities in support of the Police and Crime Plan and partnership working.

### Strategic Partnership Development Fund (SPDF)

This represents resources set aside to support the Police and Crime Commissioner’s activities in support of the Police and Crime Plan and partnership working.

### Office of the Police and Crime Commissioner

Funds set aside to support the work of the Police and Crime Commissioner.

### Integrated Offender Management (IOM)

The balance on this reserve was transferred to the Budget Equalisation Reserve (BER) during 2019/20.

### Joint & Controlled Reserves

This represents the OPCC/Group’s share of reserves held by the following:

- EMSOU (East Midlands Special Operations Unit including the Tactical Support Unit)
- EMSOU MC (East Midlands Special Operations Unit Major Crime)
- Regional Learning & Development
- Regional Occupational Health Service
- HR Shared Service Centre
- Regional Forensic Shared Services
- Emergency Services Network (ESN)

## Held on Behalf of Partners

### Operation Liberal

Held to support a national project (co-ordinated by the OPCC/Group) intended to reduce distraction burglary. Responsibility for this reserve transferred to the West Midlands Police during 2019/20.

### Regional collaboration

This represents funds set aside to support the establishment of regional collaborative projects.

### Road Safety Unit

The Road Safety Unit (RSU), which incorporates the Safety Camera Scheme (SCS), is wholly funded by the Leicester, Leicestershire and Rutland Road Safety Partnership (LLRRSP). The funds represent the operational balance accrued.

## 26. Pensions reserve (Group & OPCC)

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The OPCC/Group accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the OPCC/Group makes employer's contributions to the pension funds.

The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the OPCC/Group has set aside to meet them. The pension contributions payable by both employer and employee are adjusted regularly via actuarial valuations – the aim being to reduce the shortfall over the longer term.

2019/20 OPCC £000	2019/20 Group £000	Group	Note	2020/21 OPCC £000	2020/21 Group £000
-	2,282,561	<b>Balance at 1<sup>st</sup> April</b>		-	2,294,748
	(48,973)	Total remeasurements on pensions assets and liabilities (gains/losses)	27	-	375,424
	94,193	Reversal of items relating to retirement benefits debited or credited to the <i>surplus/deficit on the provision of services</i> in the Comprehensive Income & Expenditure Statement		-	90,836
	(33,033)	Employer's pensions contributions and direct payments to pensioners payable in the year	27	-	(36,951)
-	2,294,748	<b>Balance at 31<sup>st</sup> March</b>		-	2,724,057

Note 27 – Defined benefit pension schemes provides further analysis of the figures shown above together with an explanation for their existence.

### 27. Defined benefit pension schemes (Group & OPCC)

*This note reports the main pension funds of the Group. From 2016/17 all of the transactions relating to the LGPS are shown under the Chief Constable (CC). 99% of the employees in the LGPS work for the Chief Constable and the balance relating to the OPCC is not significant.*

#### *Participation in pension schemes*

As part of the terms and conditions of employment of its officers and other employees, the OPCC/Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the OPCC/Group has a commitment to account for the benefits at the time that employees earn their future entitlement.

The OPCC/Group participates in the following pension schemes:

**The Local Government Pension Scheme (LGPS)** for police staff is administered by Leicestershire County Council – this is a funded defined benefit scheme, meaning that the OPCC/Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Following changes introduced in the Public Pension Services Act 2013, from the 1<sup>st</sup> April 2014 scheme members now accrue pension entitlements based on their career-average rather than their final salary.

**The Police Pension Scheme** for police officers is an unfunded single employer defined benefit scheme. This means that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they fall due.

Three schemes were in operation during 2020/21 as well as injury awards:

- the *1987 scheme* (Final Salary) which is based on a maximum pensionable service of 30 years (closed to new entrants on 31<sup>st</sup> March 2006)
- the *2006 scheme* (Final Salary) which is based on a maximum pensionable service of 35 years (closed to new entrants on the 31<sup>st</sup> March 2015)
- the *2015 (CARE) scheme* which was available to new entrants from the 1<sup>st</sup> April 2015 and is a Career Average Revalued Earnings (CARE) scheme there is no maximum period of service.

#### *Transactions relating to post-employment benefits*

The OPCC/Group recognises the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the OPCC/Group is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in Reserves. The transactions within the Comprehensive Income & Expenditure Statement and Statement of Movement in Reserves the Group are as follows:

## Notes to the core financial statements

	Local Government Pension Scheme		Police Pension Schemes		Comprehensive Income & Expenditure Account	
	2019/20 Group	2020/21 Group	2019/20 Group	2020/21 Group	2019/20 Group	2020/21 Group
	£000	£000	£000	£000	£000	£000
<b>Cost of services:</b>						
Current service cost	18,600	15,559	45,255	49,789	63,855	65,348
Past service cost	57	(948)	-	-	57	(948)
(Gain) / loss from settlements	-	-	-	-	-	-
	18,657	14,611	45,255	49,789	63,912	64,400
<b>Other Operating Expenditure:</b>						
Home Office grant	-	-	(26,151)	(25,782)	(26,151)	(25,782)
<b>Financing &amp; investment income/expenditure:</b>						
Net Interest cost	3,250	2,015	53,182	50,203	56,432	52,218
<b>Net charge to surplus / deficit on provision of services</b>	<b>21,907</b>	<b>16,626</b>	<b>72,286</b>	<b>74,210</b>	<b>94,193</b>	<b>90,836</b>
<b>Other comprehensive income &amp; expenditure:</b>						
Return on Plan Assets (excluding the amount included in the net interest expense)	21,620	(49,270)	-	-	21,620	(49,270)
Actuarial (gains)/losses on changes in demographic assumptions	(11,866)	5,400	(35,796)	-	(47,662)	5,400
Actuarial gains and losses arising on changes in financial assumptions	(49,019)	105,263	43,604	340,142	(5,415)	445,405
Other (if applicable)	(17,516)	(2,851)	-	(23,260)	(17,516)	(26,111)
<b>Net charge to total comprehensive income &amp; expenditure</b>	<b>(34,874)</b>	<b>75,168</b>	<b>80,094</b>	<b>391,092</b>	<b>45,220</b>	<b>466,260</b>
<b>Statement of Movement in Reserves:</b>						
Reversal of items not permitted to be charged to the general fund by statute	34,874	(75,168)	(80,094)	(391,092)	(45,220)	(466,260)
Employer Contributions	9,439	10,852	23,594	26,099	33,033	36,951
<b>Net charge to general fund</b>	<b>9,439</b>	<b>10,852</b>	<b>23,594</b>	<b>26,099</b>	<b>33,033</b>	<b>36,951</b>
Retirement benefits payable to pensioners	n/a	n/a	n/a	n/a	n/a	n/a
<b>Analysed as:</b>						
Employers' contributions payable to schemes based on contribution rate	9,439	10,852	21,006	23,456	30,445	34,308
Employers' contributions payable to schemes – Cash Top-Up	-	-	-	-	-	-
Direct payments - Injury awards payable	-	-	2,588	2,643	2,588	2,643
<b>Total</b>	<b>9,439</b>	<b>10,852</b>	<b>23,594</b>	<b>26,099</b>	<b>33,033</b>	<b>36,951</b>

## Notes to the core financial statements

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows

	Local Government Pension Scheme		Police Pension Schemes		Balance Sheet	
	2019/20 Group	2020/21 Group	2019/20 Group	2020/21 Group	2019/20 Group	2020/21 Group
	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(299,555)	(427,044)	(2,208,502)	(2,573,495)	(2,508,057)	(3,000,539)
Fair value of plan assets	213,309	276,482	-	-	213,309	276,482
<b>Sub total</b>	(86,246)	(150,562)	(2,208,502)	(2,573,495)	(2,294,748)	(2,724,057)
Other movements in the liability (asset) (if applicable)	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(86,246)</b>	<b>(150,562)</b>	<b>(2,208,502)</b>	<b>(2,573,495)</b>	<b>(2,294,748)</b>	<b>(2,724,057)</b>

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Police Pension Schemes	
	2019/20 Group	2020/21 Group	2019/20 Group	2020/21 Group
	£000	£000	£000	£000
Opening fair value of scheme assets	222,492	213,309	-	-
Interest Income	5,435	5,004	-	-
<b>Remeasurement gain/(loss)</b>				
The return on plan assets; excluding the amount included in the net interest expense	(21,620)	49,270	-	-
Other (if applicable)	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	9,439	10,852	23,594	26,099
Employer Contributions (Top Up Grant)	-	-	26,151	25,782
Contributions from employees into the scheme	2,720	3,112	8,828	9,708
Benefits paid	(5,157)	(5,065)	(58,573)	(61,589)
Other (if applicable)	-	-	-	-
<b>Closing fair value of scheme assets</b>	<b>213,309</b>	<b>276,482</b>	<b>-</b>	<b>-</b>

## Notes to the core financial statements

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Police Pension Schemes	
	2019/20 Group	2020/21 Group	2019/20 Group	2020/21 Group
	£000	£000	£000	£000
Opening balance at 1 April	(353,051)	(299,555)	(2,152,002)	(2,208,502)
Current Service Cost	(18,600)	(15,559)	(45,255)	(49,789)
Interest Cost	(8,685)	(7,019)	(53,182)	(50,203)
Contributions from scheme participants	(2,720)	(3,112)	(8,828)	(9,708)
<b>Remeasurement (gains) and losses</b>			-	-
Actuarial gains/losses arising from changes in demographic assumptions	11,866	(5,400)	35,796	-
Actuarial gains/losses arising from changes in financial assumptions	49,019	(105,263)	(43,604)	(340,142)
Other (if applicable)	17,516	2,851	-	23,260
Past service cost (including curtailments)	(57)	948	-	-
Losses/(gains) on curtailment (where relevant)	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	5,157	5,065	58,573	61,589
Liabilities extinguished on settlements (where relevant)	-	-	-	-
<b>Closing balance at 31 March</b>	<b>(299,555)</b>	<b>(427,044)</b>	<b>(2,208,502)</b>	<b>(2,573,495)</b>

The liabilities show the underlying commitments that the OCC has in the long run to pay for retirement benefits. The total net liability of £2,724m has a substantial impact on the net worth of the OCC as recorded in the balance sheet, resulting in a negative overall balance of £2,660m. However, the statutory arrangements for funding the deficit mean that the financial position of the OCC remains stable.

The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With effect from 1<sup>st</sup> April 2020 the employer's contribution rate increased to 22.8% (21.8% for 2019/20) and is due to rise to 23.8% in 2021/22.

The LGPS fund was valued during 2019/20 for the purposes of setting the employer's contribution rates for the next 3 years commencing in April 2020. The next valuation will be as at the 31<sup>st</sup> March 2022 and will take place during 2022/23.

The deficit on the LGPS scheme has increased by £64m between March 2020 and March 2021 due to losses as a result of changes in the financial assumptions offset by increased investment returns.

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The Home Office has continued to provide a specific grant of £1.9m to assist the Force in funding the increased employer's contributions in 2020/21. The next Police Pension valuation is due to be reported in 2024/25, although this timetable is subject to change.

The Pension Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value as required by IAS 19. The police schemes and the Local Government Pension Scheme liabilities have been valued by Mercer and Hymans Robertson respectively. Both are independent firms of actuaries.

### **'McCloud / Sargeant' Judgement**

#### ***Police Pension Scheme***

The Chief Constable, along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

#### ***Local Government Pension Scheme***

When the LGPS benefit structure was reformed in 2014, transitional protections were also applied to certain older members close to normal retirement age. The Government has confirmed that there will be changes to all the main public sector schemes, including the LGPS to remove the age discrimination. The Government consultation on the changes that need to be made closed on the 8<sup>th</sup> October 2020. On the 13<sup>th</sup> May 2021, the government issued a statement confirming the key changes they will make to the LGPS scheme to remove the age discrimination. A full response to the consultation is expected later in 2021.

#### Impact on pension liability

#### ***Police Pension Scheme***

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities.

The scheme actuaries estimated the potential increase in scheme liabilities for the force to be approximately 5.4% or £103m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. The accounting figures for 2021 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken in 2018/19.

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2024/25, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

### **Local Government Pension Scheme**

Quantifying the impact of the proposed changes is difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) had estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Scheme actuaries adjusted GAD's estimate to better reflect the Leicestershire Pension Fund's local assumptions, particularly salary increases and withdrawal rates resulting in a potential increase in scheme liabilities of £3.5m. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. Following the Government consultation being issued the past service costs have been revisited by the actuary now that more detail is available on the proposed remedy. As a result the past service costs have been reduced by £0.9m in 2020/21.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, the implementation of the remedy will result in unavoidable upward pressure on contributions in future years.

### **Compensation Claims**

Police Officer claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts

### **Guaranteed Minimum Pension (GMP)**

Guaranteed minimum pension (GMP) was accrued by pension scheme members (officers & Staff) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes and hence scheme employers.

The pension liabilities of both schemes were increased in 2018/19 to allow for the potential impact of the GMP changes. The estimate assumed that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimates received from the actuaries were that for the Police Pension scheme the additional liability was £7.6m (equal to 0.4% of the overall ISA19 liabilities) and for the LGPS approximately £0.1m. These increases were reflected in the IAS19 disclosures as a past service cost in the 2018/19 accounts. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.



## Basis for Estimating Assets and Liabilities

	Local Gov't Scheme		Police Schemes	
	2019/20	2020/21	2019/20	2020/21
	Years	Years	Years	Years
<b>Mortality assumptions:</b>				
<b>Longevity at 65 (60 for police schemes) for current pensioners:</b>				
- Men	21.5	21.7	27	27.1
- Women	23.8	24.2	29.1	29.2
<b>Longevity at 65 (60 for police schemes) for future pensioners:</b>				
- Men	22.2	22.6	29.2	29.3
- Women	25.2	25.9	31.3	31.4

## Impact on the Defined Benefit Obligation in the Scheme (provided by the Actuary)

	Local Gov't Scheme		Police Schemes	
	2019/20	2020/21	2019/20	2020/21
• rate of inflation (increase or decrease by 1%)	2.90%	3.35%	2.10%	2.70%
• rate of increase in salaries (increase or decrease by 1%)	2.30%	3.30%	3.60%	4.20%
• rate of increase in pensions (increase or decrease by 1%)	1.80%	2.80%	2.20%	2.80%
• rate for discounting scheme liabilities (increase or decrease by 1%)	2.30%	2.05%	2.30%	2.20%

Assets in the pension fund administered by the county council are valued at fair value, principally market value for investments, and consist of:

## Notes to the core financial statements

Local Government Pension Scheme assets comprised

2019/20 Group	Fair Value of Scheme Assets	2020/21 Group
£000		£000
<b>6,390</b>	<b>Cash and cash equivalents</b>	<b>8,283</b>
	<i>Equity instruments: by industry type</i>	
545	Consumer	707
160	Manufacturing	207
449	Energy and utilities	581
677	Financial institutions	877
157	Health and care	204
180	Information technology	233
1,547	Other	2,005
<b>3,715</b>	<b>Sub total equity</b>	<b>4,814</b>
	<i>Bonds: by sector</i>	
18,061	UK Government	23,410
2,763	Other	3,581
<b>20,824</b>	<b>Sub total bonds</b>	<b>26,991</b>
	<i>Property: by type</i>	
15,943	UK Property	20,665
-	Overseas Property	-
<b>15,943</b>	<b>Sub total property</b>	<b>20,665</b>
	<i>Private equity</i>	
9,836	All	12,750
<b>9,836</b>	<b>Sub total private equity</b>	<b>12,750</b>
	<i>Other investment funds:</i>	
85,672	Equities	111,045
9,014	Bonds	11,683
18	Hedge Funds	23
7,544	Commodities	9,779
11,218	Infrastructure	14,541
43,406	Other	56,261
<b>156,872</b>	<b>Sub total other investment funds</b>	<b>203,331</b>
	<i>Derivatives</i>	
(271)	Forward foreign exchange contracts	(351)
<b>213,309</b>	<b>Total assets</b>	<b>276,482</b>

## 28. Capital grants & contributions unapplied (Group & OPCC)

This account holds those capital grants and contributions that have been credited to the Comprehensive Income & Expenditure Statement, are 'restricted' but not 'conditional' (i.e. must be used for a specific purpose but do not have a repayment condition) but have yet to be applied to capital financing. Capital grants & contributions that are 'conditional' are instead held within the Capital Grants Receipts in Advance line on the face of the balance sheet.

2019/20 £000		2020/21 £000
1,091	Amounts receivable in the year	321
(1,091)	Amounts applied to finance new capital investment in the year	(321)
-	<b>Total increase / (decrease) in the year</b>	-
486	Balance brought forward at 1 <sup>st</sup> April	486
<b>486</b>	<b>Balance carried forward at 31<sup>st</sup> March</b>	<b>486</b>

## 29. Revaluation reserve (Group & OPCC)

The revaluation reserve contains the residual gains (since 1<sup>st</sup> April 2007) realised when non-current assets are revalued. The reserve is credited with a revaluation gain or debited with a revaluation loss (in so far as it can be contained by previous gains) on an asset by asset basis. When the revaluation reserve balance for a specific asset is exhausted due to losses, any future losses are instead transferred to the Comprehensive Income & Expenditure Statement (for both the OPCC and the Group).

Adjustments are made to credit the capital adjustment account with depreciation amounts attributable to residual revaluation gains. Residual gains are transferred to the capital adjustment account when an asset is disposed of.

2019/20 £000		2020/21 £000
	<b>Movements in unrealised value of non-current assets</b>	
(233)	Gains on upward revaluation of non-current assets	(378)
1,402	Downward revaluation of non-current assets and impairment losses not charged to the surplus/deficit on the provision of services	459
(62)	Transfer to capital adjustment account in respect of non-current asset depreciation (on a revaluation gain)	(76)
-	Transfer to capital adjustment account in respect of residual gains held at the point of disposal of a non-current asset	-
<b>1,107</b>	<b>Total movement on reserve in the year</b>	<b>5</b>
<b>(5,780)</b>	<b>Opening balance at 1<sup>st</sup> April</b>	<b>(4,673)</b>
<b>(4,673)</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>(4,668)</b>

### 30. Capital adjustment account (Group & OPCC)

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairments losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the revaluation reserve related to residual gains). The account is credited with the amounts set aside by the OPCC/Group as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment property. It also contains revaluation gains accumulated on property, plant & equipment before 1st April 2007, the date that the revaluation reserve was created to hold such gains.

2019/20	(See note 1 for further details)	2020/21
£000		£000
5,617	Charges for depreciation and amortisation of non-current assets	6,258
62	Amounts transferred from revaluation reserve in respect of depreciation/amortisation	76
1,475	Transfer from Comprehensive Income & Expenditure Statement in respect of non-current asset revaluations	2,421
-	Revaluation on non-current assets held for sale	
163	Revenue Expenditure funded from Capital under Statute (REFCUS)	78
-	Transfer from revaluation reserve in respect of residual gains held at the point of disposal of a non-current asset	
171	Transfer from Comprehensive Income & Expenditure Statement in respect of carrying value of non-current asset disposals	88
<b>7,488</b>	<b>Net amount written-out of the cost of non-current assets consumed in the year</b>	<b>8,921</b>
(961)	Capital expenditure charged against the general fund	(1,614)
-	Use of the capital receipts reserve to finance new capital expenditure	-
(1,369)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(769)
-	Application of grants to capital financing from the capital grants unapplied account	-
(667)	Revenue provision (including MRP)	(793)
(915)	Voluntary revenue provision for capital financing	(1,354)
-	Movements in the market value of investment properties charged to the Comprehensive Income & Expenditure Statement	-
(3,912)	<b>Capital financing applied in year</b>	<b>(4,530)</b>
<b>3,576</b>	<b>Total movement during the year</b>	<b>4,391</b>
(42,614)	Opening balance at 1 <sup>st</sup> April	(39,038)
<b>(39,038)</b>	<b>Closing balance at 31<sup>st</sup> March</b>	<b>(34,647)</b>

## 31. Collection fund adjustment account (Group & OPCC)

The collection fund adjustment account represents the OPCC/Group's share of the collection fund surplus/deficit held by each council tax billing authority within Leicestershire & Rutland. For 2019/20 and 2020/21, the breakdown of the figure on the OPCC/Group's balance sheet can be analysed as follows:

The OPCC/Group's collection fund adjustment account has a debit balance (deficit) of **£1,013k** at 31<sup>st</sup> March 2021 (2019/20- credit balance of **£335k**). A deficit has occurred as a result of lower collection rates for Council Tax during 2020/21, due to the financial impact of Covid 19.

2019/20 £000		2020/21 £000
(604)	<b>Balance at 1<sup>st</sup> April</b>	(335)
269	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,348
(335)	<b>Balance at 31<sup>st</sup> March</b>	<b>1,013</b>

## 32. Accumulated absences account (Group & OPCC)

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

During 2020/21 Police Officer Annual Leave increased from £903k to £1,439k, Rest days in lieu decreased from £1,254k to £802k and Time off in lieu increased from £549k to £674k. Police Staff Annual leave increased from £660k to £939k, Rest day in lieu from £264k to £286k, Time off in lieu from £339k to £409k and Flexi Time from £98k to £119k. These increases are due to the Police Officer recruitment and the number of Officers and Staff carrying forward the maximum annual leave balance due to the impact of COVID-19 offset by a reduction in the number of Rest Days in lieu.

The balance shown above is a negative figure due to it being a deficit reserve on the OPCC/Group's balance sheet.

2019/20 OPCC £000	2019/20 Group £000		2020/21 OPCC £000	2020/21 Group £000
(13)	(3,631)	<b>Balance at 1<sup>st</sup> April</b>	(22)	(4,224)
13	3,631	Reversal of opening accrual made at the end of the preceding year	22	4,224
(22)	(4,224)	Amounts accrued at the end of the current year	(34)	(4,847)
(9)	(593)	Amounts by which remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(12)	(623)
(22)	(4,224)	<b>Balance at 31<sup>st</sup> March</b>	(34)	(4,847)

### 33. Cash flow statement – operating activities (Group & OPCC)

#### 33.1 The Cash flows for operating activities includes the following items:

2019/20 OPCC £000	2019/20 Group £000		Note	2020/21 OPCC £000	2020/21 Group £000
(149)	(149)	Interest Received		(12)	(12)
709	709	Interest Paid		655	655
-	-	Dividends received			
<b>560</b>	<b>560</b>			<b>643</b>	<b>643</b>

#### 33.2 Adjustments to net (surplus) or deficit on the provision of services for non-cash movements.

2019/20 OPCC £000	2019/20 Group £000		Note	2020/21 OPCC £000	2020/21 Group £000
(4,823)	(4,823)	Depreciation	13	(5,337)	(5,337)
-	-	Impairment and downward valuations			-
(795)	(795)	Amortisation	12	(921)	(921)
16	16	Increase/(decrease) in impairment bad debts			-
(3,199)	(3,188)	Increase/(decrease) in creditors/RIA		(13,051)	(13,080)
(4,429)	(4,441)	Increase/(decrease) in debtors/PIA		6,010	6,039
9	9	Increase/(decrease) in inventories		(17)	(17)
-	(61,160)	Movement in pension liability	2.1	-	(53,885)
(171)	(171)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		(88)	(88)
(1,514)	(2,097)	Other non-cash items charged to the net surplus or deficit on the provision of services		(2,678)	(3,289)
<b>(14,906)</b>	<b>(76,650)</b>			<b>(16,082)</b>	<b>(70,578)</b>

#### 33.3 Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities.

2019/20 OPCC £000	2019/20 Group £000		2020/21 OPCC £000	2020/21 Group £000
-	-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-
-	-	Proceeds from the sale of PP&E, investment property and intangible assets.	-	-
1,369	1,369	Any other items for which the cash effects are investing or financing flows	769	769
<b>1,369</b>	<b>1,369</b>		<b>769</b>	<b>769</b>

### 34. Cash flow statement – investing activities (Group & OPCC)

Investing activities as shown on the Cash Flow Statement consists of the following cash flows:

2019/20 OPCC £000	2019/20 Group £000		2020/21 OPCC £000	2020/21 Group £000
8,688	8,688	Purchase of Property, Plant and Equipment, Investment property and intangible assets	8,990	8,990
		Purchase of short-term and long-term investments	-	-
		Other Payments for Investing Activities	-	-
(1,093)	(1,093)	Proceeds from the sale of Property, Plant and Equipment, Investment property and intangible assets	(647)	(647)
-	-	Proceeds from short-term and long-term investments	-	-
3	3	Other receipts from investing activities	(5)	(5)
<b>7,598</b>	<b>7,598</b>	<b>Total Investing Activities cash flows</b>	<b>8,338</b>	<b>8,338</b>

### 35. Cash flow statement – financing activities (Group & OPCC)

Financing activities as shown on the Cash Flow Statement (Group & OPCC) consists of the following cash flows:

2019/20 OPCC £000	2019/20 Group £000		2020/21 OPCC £000	2020/21 Group £000
10,040	10,040	Repayment of short/long term borrowing	1,722	1,722
<b>10,040</b>	<b>10,040</b>	<b>Total Financing Activities cash flows</b>	<b>1,722</b>	<b>1,722</b>

### 36. Events after the balance sheet date (Group & OPCC)

Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue 30<sup>th</sup> July 2021. The Chief Finance Officer has not identified any events that are classified as either adjusting or non-adjusting happening between 31 March and the date the Statement of Accounts were authorised for issue.'

### 37. Contingent liabilities (Group & OPCC)

The Civil Claims earmarked reserve (see Note 25 for further details) includes funds set aside by the OPCC/Group in respect of civil claims where transfer of economic benefits is deemed to be unlikely. The OPCC/Group has, however, considered it prudent to set aside funds in the discretionary reserve to cover an unforeseen change to that assessment.

The impact of the McCloud Judgement has been disclosed in Note 27 - of the accounts.

### **38. Critical judgements in applying accounting policies (Group & OPCC)**

In applying the accounting policies set out in Note 41 the OPCC/Group has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Whilst the funding made available to the Police and Crime Commissioner increased during 2019/20 and 2020/21 there remains a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased due to the global Covid-19 pandemic. Many organisations have had to adapt how they work to maintain essential services and safeguard their employees wherever possible. The OPCC/Group has adapted along with its partners to continue to keep communities safe in these challenging times.

The OPCC/Group has determined that this uncertainty around future funding and any additional costs of Covid-19 are not yet sufficient to provide an indication that the assets of the OPCC/Group might be impaired as a result of a need to close facilities and reduce levels of service provision.

In order to apply the group accounting requirements the relationship between the PCC and Chief Constable has been assessed. The PCC remains in control of all assets and reserves however it is judged that the Chief Constable has sufficient operational control over staff and delegated budgets that this expenditure and associated income is shown on the comprehensive Income and Expenditure Statement for the Chief Constable.

The PCC / CC for Leicestershire is involved in various joint arrangements with other Forces in the East Midlands which are detailed in Note 7. These arrangements are judged to be jointly controlled operations due to the joint management and decision making structure of the agreement. Leicestershire's OPCC's share of transactions and balances are consolidated into the financial statements in accordance with the CIPFA Code of Practice.

In December 2018 the Court of Appeal upheld a ruling (McCloud / Sargeant) that pension transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Both the Police Pension and Local Government schemes have transitional protections in place following the introduction of Career Average Revalued Earnings (CARE) schemes. Benefits accrued since the introduction of CARE may therefore need to be enhanced so that all members, regardless of age will benefit from the protections. The clear expectation is that many more members will see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits. As there is a probable future outflow of economic benefit and a reliable estimate, using reasonable assumptions, could be made an estimate of the potential liability was included in the 2018/19 accounts as past service cost. The accounting figures for 2020 therefore continue to reflect the potential costs on an approximate basis following on from the exercise undertaken last year.

The introduction of the new Single State Pension in April 2016 disrupted the previous arrangements for ensuring that equality of benefits between males and females from public service pension schemes. To avoid this problem an interim solution was put in place by the UK Government for members reaching state pension age between the 6 April 2016 and 5 April 2020. However, it is likely that the interim solution will be continued beyond 2020 on the basis that UK and European law requires pension schemes to provide equal benefits to men and women. The actuaries have therefore been requested to provide estimates of the potential impact of the interim solution being applied to members reaching state pension age post 2020. These estimates were again been accounted for as a past service cost in the 2018/19 accounts and the pension liability at the 31<sup>st</sup> March 2021 continues to reflect the potential costs.

### **39. Assumptions made about the future and other major sources of estimation uncertainty (Group & OPCC)**

The Statement of Accounts contains estimated figures that are based on assumptions made by the OPCC/Group about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the balance sheet at 31<sup>st</sup> March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



## Notes to the core financial statements

Item	Uncertainty	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the OPCC/Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £45k for every year that useful lives had to be reduced.
Property, plant and equipment	Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value. 70% of the net book value of the OPCC's land and buildings is valued on this basis. The DRC values are reset each year using the 'instant build' approach using the latest available indices. External valuers' are engaged to undertake the valuation.	The indices used in the calculation can fluctuate year on year based on local market conditions. During 2020/21 the value of the 'specialised' land and buildings decreased by £2.6m.
Property, plant and equipment	30% of the net book value of the OPCC's building are valued based on the open market value in their existing use i.e office accommodation.	The net book value of the land and buildings using market evidence is £16.7m. the value of these would need to fall by 20% to have a material impact on the PCC balance sheet.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the OPCC/Group with expert advice about the assumptions to be applied. In addition, estimates have been included for additional benefits that are likely to be become payable as a result of a legal challenge to pension transitional arrangements and changes to Guaranteed Minimum Pension (GMP). These estimates is based on a number of assumptions. (see Note 27 for further detail).	The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivities are shown below. However, the assumptions interact in complex ways. During 2020/21, the OPCC's actuaries advised that the net pensions liability had increased by £435m as a result of experience, updating of the assumptions and past service costs.
<b>Sensitivity of pension liabilities: Local Government Pension Scheme</b>		
<i>Change in assumptions</i>		£000
0.1% decrease in real discount rate		10,092
0.1% increase in salary increase rate		1,262
0.1% increase in the pension increase rate		8,722
<b>Sensitivity of pension liabilities: Police Pension Schemes</b>		
<i>Change in assumptions</i>		£000
0.1% increase in real discount rate		2,522,014
1 year increase in member life expectancy		2,653,380
0.1% increase in inflation		2,625,065
0.1% increase in salary increase rate		2,582,756

## 40. Going Concern

The concept of a going concern assumes that the functions of the Police and Crime Commissioner and the Force will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority accounting in the United Kingdom) in respect of going concern reporting requirements reflect the economic and statutory environment in which police forces operate. These provisions confirm that, as police forces cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Police and Crime Commissioners and Chief Constables carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a police force were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a police force will continue to operate for the foreseeable future.

In carrying out its assessment that this basis is appropriate, made for the going concern period to the 31st March 2024 management have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

Our most recent balances are as follows:

Date	General Fund	Earmarked Reserves
31/03/21	£5m	£23.2m

Our expected General Fund and Earmarked Reserve position which would have a predicted balance of £5 million and £19.3 million at 31st March 2023. This remains above our minimum level of GF balances as set by the PCC's CFO of £5 million.

Our cashflow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing other than to support the capital programme which is consistent to our plans and normal practice.

The key assumptions within this forecast include the achievement of the 2021/22 efficiency target of £0.5m and the forecast outturn position of £0.4m against the 2021/22 budget. The forecast outturn includes the additional costs incurred as a result of policing the COVID restrictions and measures to protect the workforce. We have considered a downside scenario where the non-achievement of key assumptions the efficiency savings are not met and any additional unbudgeted expenditure as a result of COVID, and the above projections would not be significantly affected with both minimum levels of reserves and liquidity remaining through the same period.

On this basis, the Police & Crime Commissioner / Chief Constable have a reasonable expectation that they will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services without significant amendment or reductions. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

## 41. Nature and extent of risks arising from financial instruments (Group & OPCC)

The OPCC/Group's activities expose it to a variety of financial risks:

- *Credit risk* – the possibility that other parties might fail to pay amounts due to the OPCC/Group
- *Liquidity risk* – the possibility that the OPCC/Group might not have funds available to meet its commitments to make payments
- *Market risk* – the possibility that financial loss might arise for the OPCC/Group as a result of changes in such measures as interest rates and stock market movements

### Credit risk

Credit risk for the OPCC/Group has two main sources. Firstly, the short-term (less than 12 months) lending of surplus cash funds to banks and other institutions and secondly the risk of customers failing to pay the OPCC/Group for goods/services provided.

The OPCC/Group follows a defined policy of only lending surplus cash resources to a limited list of banks / institutions (including Money Market funds). This list is regularly reviewed by the Chief Finance Officer of the OPCC. The banks / institutions on the OPCC/Group's lending list are carefully selected using credit ratings whilst the OPCC/Group sets a prudent maximum investment limit with each bank. All the banks are based in the United Kingdom.

The OPCC/Group does not expect any losses connected with the short-term investments placed with banks or the other institutions.

Customer credit risk has a very low overall effect on the OPCC/Group by virtue of income from customers being equal to only 3.41% of total income (2019/20 – 4.31%). The risk is managed via the OPCC/Group's credit control policy. This policy sets out the framework within which financial relationships with the OPCC/Group's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Chief Constable may authorise the write-off of unrecoverable amounts up to £10k. Amounts above £10k require the authorisation of the Chief Finance Officer for the OPCC.

To further mitigate the risk of customer credit default, the OPCC/Group assesses whether a bad debt impairment is required each year. No impairment is required for 2020/21 (2019/20 – no impairment required).

### Liquidity risk

The OPCC/Group's cash flow is managed on a daily basis to ensure that sufficient liquid cash resources are available to meet future payment obligations (for example payments to creditors and payments to and in respect of the OPCC/Group's employees).

If unexpected movements happen, the OPCC/Group has access to borrowings from both the money markets and the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Risk may arise should the OPCC/Group have to repay a significant proportion of its borrowing in any one financial year. This risk is limited by the fact that the OPCC/Group's PWLB debt portfolio has a spread of maturity dates across a number of financial years. For the maturity profile of the OPCC/Group's PWLB debt commitment, please see Note 20.1 - Long term borrowing.

All standard creditors are due to be paid within one year – further information can be found in Note 19 - Creditors.

### Market risk

#### *Interest rate risk*

The OPCC/Group is exposed to a limited degree of risk regarding interest rate fluctuations on both short-term investments and on new borrowings. Both short-term investments and new borrowings are entered into by the OPCC/Group at a fixed interest rate for the term of each. The risk therefore arises from the uncertainty of what level interest rates will be at when the OPCC/Group either makes a short-term investment or enters into a new borrowing arrangement with PWLB. A movement in interest rates could have a complex impact on the OPCC/Group. For instance, a rise in interest rates would have the following effects:

- Future borrowings would be more costly and result in a higher interest expense charged to the Comprehensive Income & Expenditure Statement
- The fair value of existing borrowings would alter
- Future short-term investments would realise a greater return and result in a higher interest receipt credited to the Comprehensive Income & Expenditure Statement.

Borrowings are not carried at fair value in the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement or Statement of Movement in Reserves. Movements in the fair value of fixed rate short-term investments will be reflected in the Comprehensive Income & Expenditure Statement, although as the investments are due to mature within 12 months, no such movement is expected.

The OPCC/Group will consider during periods of falling interest rates, and where economic circumstances allow, the viability of repaying loans early in order to limit the OPCC/Group's exposure to interest rate risk.

### *Price risk*

The OPCC/Group does not hold equity shares or other shareholdings and hence has no exposure to the gains or losses arising from a movement in the price of shares.

### *Foreign exchange risk*

The OPCC/Group has no financial assets or liabilities in foreign currencies and hence has no exposure to losses arising from movements in exchange rates.

## **42. Accounting policies used by the Group & OPCC**

### **A1 General principles**

The Office of the Police and Crime Commissioner (OPCC) and the Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practice.

The Statement of Accounts summarises the OPCC and Group transactions for the 2020/21 financial year and its position at the year-end of 31<sup>st</sup> March 2021. The accounts have been prepared in accordance

with the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* (the Code) published annually by CIPFA, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The OPCC/Group's accounting policies have been applied consistently over the current and comparative periods.

### **A2 Accruals of income and expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods / provision of services is recognised when the OPCC/Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the OPCC/Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Grant income is recognised in the financial year to which it relates. Income received early is transferred to receipts in advance on the balance sheet before being transferred to the Comprehensive Income and Expenditure Statement in the appropriate year.

The only exceptions to this policy are transfer values in and out of the police pension scheme (in respect of employees either commencing or leaving the employment of the OPCC/Group) which are included in the pension fund account when they are received or paid.

### **A3 Exceptional items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts – depending on how significant the items are to an understanding of the OPCC/Group's financial performance.

### **A4 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the OPCC/Group's cash management.

### **A5 Prior period adjustments, changes in accounting policies and estimates and errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, except for where the OCC is of the view that the change in estimate significantly affects year-on-year comparison. Where the change in estimate has a significant impact, the OCC will restate prior-year figures and provide a full explanation of the adjustments.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other event and conditions on the OPCC/Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **A6 Charges to revenue for non-current assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, (Minimum Revenue Provision (MRP)). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

### **A7 Council tax – collection fund debtors/creditors and surplus/deficit**

The council tax income included in the Comprehensive Income and Expenditure Statement (CIES) is the OPCC's share of the accrued income for the year. However, regulations determine the amount of council tax that must be included in the OPCC's / Group's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Account and included as a reconciling item in the Movement in Reserves Statement.

## Notes to the core financial statements

In addition to the accounting requirements for the Comprehensive Income and Expenditure Statement, the Code requires that each major preceptor (the OPCC/Group in this case) recognises its share of the collection fund debtors and creditors held by each billing authority. Entries are therefore included within the OPCC/Group's debtor and creditor balances to represent its share of the following:

- Council tax arrears (debtor)
- Impairment allowance for bad/doubtful debts (debtor)
- Council tax overpayments and prepayments (creditor)
- Cash balances (debtor or creditor as appropriate)

The net effect of the debtor and creditor adjustments is balanced out by the entry on the Collection Fund Adjustment Account.

### **A8 Employee benefits**

#### ***Benefits payable during employment***

Short-term employee benefits are those due to be settled within 12 months of the year-end. The OPCC/Group makes an accrual in the Comprehensive Income & Expenditure Account for the short-term employment benefits that were not taken during the financial year.

These benefits include:

- Annual leave (the amount carried over)
- Time-off-in-lieu (the balance outstanding at year-end)
- Rest days (compensation where a rest day was cancelled)
- Flexi leave (the number of hours outstanding at year-end)

Data concerning the above is collated from the OPCC/Group's personnel systems and costed out at the prevailing rates of pay for the forthcoming year (in effect the rate of pay applicable on 1<sup>st</sup> April as future pay increases may be subject to change).

The accrual is charged to the Comprehensive Income & Expenditure Statement (within the surplus/deficit on the provision of services) and reversed out through the Movement in Reserves Statement. On the balance sheet, the accrual is shown in the creditors section (representing the fact that the employee benefits are due to be realised within the following twelve-month period) with a corresponding entry in the accumulated absences account in the lower half of the balance sheet.

Each financial year has an opening and closing accrual, the impact on the Comprehensive Income & Expenditure Statement is therefore the movement between the two figures.

#### ***Termination benefits***

Termination benefits are amounts payable as a result of a decision by the OPCC/Group to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the OPCC/Group is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the OPCC/Group to the pension fund or pensioner in

the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### ***Post-employment benefits***

Employees of the OPCC/Group are members of two separate pension schemes:

### a) Police officers

The Police Pension Scheme (PPS) for police officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007 the Group is required to operate a Pension Fund Account and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. If the amounts receivable by the pension fund for the year are less than amounts payable, the OPCC/Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the OPCC/Group, which then must be repaid to central government. Injury awards and the capital costs associated with ill health retirements are paid from the Group's Comprehensive Income and Expenditure Statement.

### b) Police staff

The Local Government Pensions Scheme is administered by Leicestershire County Council. This is a funded scheme, meaning that the OPCC/Group and the employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council pension fund attributable to the OPCC/Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions of mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices.

The assets of Leicestershire County Council pension fund attributable to the OPCC/Group are included in the balance sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pensions liability is analysed into six components:

- Current Service Cost – the increase in liabilities as a result of one additional year of service earned this year – allocated the Comprehensive Income and Expenditure Statement.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made in their last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve.
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the OPCC/Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and

credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary benefits**

The OPCC/Group also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements due to medical reasons or injury. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **A9 Events after the reporting period**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **A10 Financial instruments**

### **Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when the OPCC/Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the OPCC/ Group has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The OPCC's / Group's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost. ,

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the OPCC /Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the



Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### **A11 Government grants and contributions**

Government grants and other contributions are accounted for on an accruals basis and recognised in the financial statements when the conditions for their receipts have been complied with and there is reasonable assurance that the grant or contribution will be received.

Amounts recognised as due to the OPCC/Group are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income & Expenditure Statement. Specific revenue grants/contributions are credited to the relevant service line whilst non ring-fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **A12 Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the OPCC/Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the OPCC/Group.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the OPCC/Group can be determined by reference to an active market. In practice, no intangible asset held by the OPCC/Group meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund Balance. The gains and losses are therefore reversed out of the general fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **A13 Inventories**

Supplies of uniform, vehicle parts, vehicle fuel, stationery, catering supplies and other operating equipment are held. Cleaning materials and other items are fully charged to the Comprehensive Income & Expenditure Statement in the year of purchase.

Inventories are valued on the basis of average cost price.

### **A14 Investment property**

Investment properties are those that are held solely to earn income and/or realise capital appreciation and are subject to revaluation at least every 5 years by the OPCC/Group's specialist valuers.

Investment properties are measured initially at cost and subsequently fair value, being the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Any change in the value of the investment property (together with any income or expenditure that is generated) is

debited or credited to the *financing and investment income and expenditure* section of the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

### **A15 Jointly controlled operations**

The OPCC/Group has an interest in eleven jointly controlled operations. It is the lead accounting body for seven of these. Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The

activities undertaken by the OPCC/Group in conjunction with other joint operators involve the use of assets and resources of those joint operators

Adjustments have been made to the balance sheet to reflect the share of each jointly controlled operation's gross assets and liabilities controlled by the OPCC/Group as at 31<sup>st</sup> March 2021. Adjustments have also been made to the Comprehensive Income & Expenditure Statement to reflect the OPCC/Group's share of each jointly controlled operation's transactions during the year. These adjustments have no effect on the overall amount to be met from government grants and council tax. Further details are shown in Note 7

### **A16 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The OPCC/Group as Lessee**

##### *Finance Leases*

The PCC for Leicestershire has assessed its leases and the total value of potential finance leases are not significant, as no annual payments are made. Further detail is provided in Note 10.1

##### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### **The OPCC/Group as Lessor**

##### *Operating Leases*

Where the OPCC/Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The OPCC/Group has a number of semi-formal arrangements with local authorities and other bodies to grant use of rooms or offices within the landlord's property. These arrangements (often used as community/beat offices for local police officers) are reviewed to assess the substance of the transaction using such criteria as:

- Are payments being made for use of the room/office?
- Is a lease document in place?
- Does the OPCC/Group have exclusive use of the room/office?

- Does the OPCC/Group have responsibility for the maintenance/repair of the room/office?
- Is a transfer of ownership likely as part of the arrangement?

Where such an arrangement is deemed to constitute a lease, it is disclosed within the *leases* note in the financial statements (note 10 - Group Accounts).

### **A17 Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the OPCC/Group's arrangements for accountability and financial performance.

### **A18 Property, plant and equipment**

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

#### **Recognition**

Expenditure – over the specified de minimis level – currently £10,000 - on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the OPCC/Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the OPCC/Group). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the OPCC/Group.

Assets are then carried in the balance sheet using the following measurement bases:

- assets under construction – historical cost until completed, whereupon they will be valued and included in the Balance Sheet as operational assets.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value e.g Vehicles, IT assets and operational equipment.

#### **Revaluation**

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

### **Components**

The OPCC/Group has reviewed its land and buildings non-current assets for evidence of components. A component is a separately identifiable part of an asset which has both a different estimated useful life and also a value which is significant when considered against the total value of the asset.

In conjunction with the OPCC/Group's independent valuers, componentisation thresholds (i.e. the levels at which a component is considered to be worthy of separation) have been set to assist in future asset reviews. A component must constitute more than 25% of the value of the asset and be greater than £100k in value. In addition, the asset must have a useful life (for depreciation purposes) that is significantly different from that of the main structure. Components that are deemed to meet the criteria above are separated from the main structure on the OPCC/Group's asset registers and depreciation calculated separately.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, equipment and the helicopter – a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

All assets are depreciated in the year of purchase but not in the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

### **Disposals**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The Code sets a number of specific criteria, all of which must be met for an asset to be deemed “asset held for sale”:

- The asset must be available for immediate sale in its present condition
- The sale must be highly probable and a plan to sell the asset in place
- The asset must be actively marketed for sale at a price that is reasonable in relation to the current value
- The sale should be expected to complete within one year of the date of classification as a asset held for sale

Where an asset meets these four criteria, it is revalued at fair value (existing use) and then transferred to the *assets held for sale* heading on the balance sheet. Assets held for sale are measured at the lower of (a) fair value (existing use) and (b) market value less disposal costs. Where the market value of an asset held for sale is deemed to have fallen below the current carrying value, the loss is charged to the Comprehensive Income & Expenditure Statement (“Other Operating Expenditure” line).

However, as this is not a charge permitted by statute against the general fund, a reconciling entry is made in the Movement in Reserves Statement to reverse the transaction to the Capital Adjustment Account.

A subsequent increase in market value is credited to the Comprehensive Income & Expenditure Account in the same way but only up to the limit of the value the asset was held at when first reclassified as an asset held for sale. Any further gains in market value over and above the original carrying value will be realised when the asset is disposed of. It should be noted that a balance may remain on the revaluation reserve attributable to the asset. This balance is transferred to the capital adjustment account at the point of disposal.

Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for

sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the OPCC/Group's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement. Where assets are funded by grants or contributions from other bodies that are repayable when the asset is disposed of, appropriate adjustments are made on disposal to recognise a liability.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the general fund balance in the Movement in Reserves Statement.

### **A19 Capital receipts**

Capital receipts from the disposal of assets are held in the capital reserve until such time as they are used to finance other capital expenditure. Individual receipts of less than £10,000 are credited to the Comprehensive Income & Expenditure Statement and recognised as income.

### **A20 Provisions & Contingent Liabilities**

Provisions are made where an event has taken place that gives the OPCC/Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the OPCC/Group may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the OPCC/Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the OPCC/Group settles the obligation.

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the OPCC/Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are disclosed in a note to the accounts (Note 37 - Group Accounts).

### **A21 Reserves**

The OPCC/Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the

Statement of Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, local taxation, retirement and employee benefits and do not represent usable reserves for the OPCC/Group.

### **A22 Revenue expenditure funded from capital under statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **A23 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **A23 Fair Value Measurement**

The OPCC/Group measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The OPCC/Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the OPCC/Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The OPCC/Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the OPCC/Group can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

## Introduction

The police officer pension fund account was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932). It is administered by the Chief Constable using the resources of the OPCC/Group.

The fund receives income each year from:

- Employer's contributions from the OPCC/Group based on a percentage of pay
- Home Office top-up grant via the OPCC/Group
- Contributions from serving police officers
- Other receipts

Pensions to retired police officers, lump sum payments and other benefits are paid from the fund.

The following table shows the movements on the pension fund account for the year:

2019/20 £000		2020/21 £000
(20,425)	<b>Contributions receivable:</b>	
(581)	<b>OPCC/Group</b>	
(8,827)	■ employer's contributions	(22,583)
(29,834)	■ early retirements	(874)
	■ officers' contributions	(9,708)
(711)		(33,165)
	<b>Transfers in from other pension schemes</b>	(549)
	<b>Benefits payable:</b>	
47,268	■ pensions	48,574
8,208	■ commutations and lump sum retirement benefits	9,656
931	■ ill-health commutations and lump sum retirement benefits	1,203
171	■ lump sum death benefits	-
56,578		59,433
	<b>Payments to and on account of leavers:</b>	
38	■ refund of contributions	63
81	■ transfers out to other police Forces	-
118		63
<b>26,151</b>	<b>Net amount payable for the year</b>	<b>25,782</b>
<b>(26,151)</b>	<b>Additional funding Receivable from the Police Fund</b>	<b>(25,782)</b>

The following table identifies the net assets and liabilities of the fund:

31st March 2020 £000		31st March 2021 £000
2,627	<b>Current assets</b>	
	Contributions due from the OPCC/Group	3,003
-	<b>Current liabilities</b>	
	Unpaid pensions benefits	
<b>2,627</b>		<b>3,003</b>



### Notes

#### Note 1

The Chief Constable is required by law to operate a pension fund and the amounts that must be paid into and out of the fund are specified by regulation. Due to the fact that the OCC does not hold assets or liabilities, no cash is transacted by the Chief Constable. All payments and receipts into and out of the fund are made by the OPCC such that the OCC can fulfil the administration of the fund. The fund is balanced to nil at the end of each financial year either by paying over any surplus to the Home Office or by receiving cash in the form of pension top-up grant from the Home Office to make up any deficit. The OPCC acts as intermediary where grant payment/receipt takes place – the grant is therefore shown on the OPCC's Comprehensive Income & Expenditure Statement but is transferred to the OCC through the Intra-Group funding. The fund does not hold any investment assets and follows the accounting policies of the OPCC/Group.

#### Note 2

Details regarding the accounting policies are detailed within note 41 and A8, notes to the core financial statements.

#### Note 3

The pension fund does not take account of the liabilities to pay pensions and other benefits after the end of the financial year.

Details of the OPCC/Group's long-term pension obligations can be found in the notes to the core financial statements at note 27.

#### Note 4

The rate (%) at which employer contributions are made to the police pension fund is set by the Home Office. An actuarial valuation during 2018/19 resulted in an increase in the employers' contribution rate from 21.3% to 31% from April 2019. The next Police Pension valuation is due to be reported in 2024/25, although this timetable is subject to change.

Employee contribution rates range between 12.05% and 15.05% dependant on the police officer's salary.

## Introduction

In the financial year 2020-21, the implications of the Police Reform and Social Responsibility Act 2011 continued for the two corporations' sole of the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC). The year was the final year of Lord Willy Bach's term in office and the paragraphs below detail the governance and assurance arrangements that have been in place throughout the year.

### 1) Scope of Responsibility

The Police and Crime Commissioner for Leicestershire (PCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively. The PCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The PCC has approved and adopted a Corporate Governance Framework, which is consistent with the principles and guidance Notes of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of both the Framework and the 2016 Guidance notes for Policing Bodies in England and Wales can be obtained from the Office of the Police and Crime Commissioner (OPCC), Leicestershire Police Headquarters, St Johns, Enderby, Leicester, LE19 2BX.

This statement explains how the PCC has complied with the Framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an annual governance statement.

### 2) The Purpose of the Governance Framework

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which the OPCC is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the OPCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Corporate Governance Framework (CGF) was developed in 2013-14, was considered by the Joint Audit Risk and Assurance Panel (JARAP) and reviewed in March 2014 to incorporate the changes required under Stage 2 Transfer arrangements. The CGF has been reviewed and updated during 2019-20 following extensive consultation. The revised version was ratified in November 2020.

### 3) The Governance Framework

Both the PCC and the CC continued to ensure that appropriate management and reporting arrangements were in place to enable it to satisfy itself that its approach to corporate governance was both adequate and effective in practice. These arrangements included:

- The Corporate Governance Framework;
- A Risk Management Strategy;
- An Annual Governance Statement produced by the OPCC and the OCC;
- A Regional Governance Statement;
- Ensuring that there is an effective Internal Audit function.

During 2020-21, Mazars continued as Internal Auditors for the region. Regular review and planning meetings took place which helped identify, discuss and share best practice and identify potential common audit themes.

Additionally, for 2020-21, Mazars attended the Strategic Organisation Risk Board (SORB) as the force and the OPCC strengthened and embedded further the risk management processes in operation.

Mazars also attended Regional CFO and Finance Director meetings to update on the progress of 2020-21 Regional Collaboration audits and the Regional Collaboration Internal Audit Plan and the proposed workplan and timescales for 2021-22.

The effectiveness of audit committees should be carried out periodically. Mazars undertook an effectiveness review audit during 2017-18 with the next one planned to take place during 2021-22. In the 2017-18, the review, Mazars found that:

*“From our experience of attending or, in some cases, reviewing such arrangements across both the police sector and beyond, arrangements in place within Leicestershire Police / OPCC are generally sound.”*

A further self-assessment effectiveness review was undertaken by the OPCC and JARAP members during 2020-21 using CIPFA guidance. The findings were reported to the JARAP at its meeting on 26 January 2021. Overall, the review concluded that the JARAP is operated in an effective manner. Moreover, External audit (Ernst & Young LLP) commented “the JARAP has improved its effectiveness.....over the past couple of years.”

The 2021-22 Internal Audit Plan was considered and approved at the JARAP meeting held on 27 April 2021. It was prepared following discussion and consideration of regional and three force audit themes, the risk register and other factors.

Mazars attended each JARAP meeting to routinely report to and provide assurance on the adequacy and effectiveness of internal control. In addition, they contribute to the Strategic Organisation Risk Board (SORB), JARAP forward plan and agenda-setting to inform and highlight national and regional themes, considerations and practices.

The system of internal control is based on a framework of robust financial and contract procedure rules and processes, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the OPCC and the Office of the Chief Constable (OCC) and is reviewed by internal and external audit. In particular the system includes:

- A Police and Crime Plan for 2017-21 which sets out the priorities for the Chief Constable to deliver against. A link to the document is contained here:  
<https://www.leics.pcc.police.uk/DOCUMENT-LIBRARY/Planning-and-Money/Police-and-Crime-Plan/2017-2021/Police-and-Crime-Plan-2017-2021.pdf>
- Performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan. Supported by the PCC attending the Performance Delivery Group (PDG), the Crime and Operations Effectiveness meeting as well as reviewing Performance Reports at the Strategic Assurance Board;
- Comprehensive budgeting systems that seek to align resources with priorities;
- Robust financial reporting, which routinely projects end of year outturn positions to allow early corrective action or highlight reinvestment opportunities;
- Effective risk management strategies, registers, action plans and tactics;
- A Commissioning Framework to 31 March 2021 which detailed the approach to engagement with partners and to commissioning appropriate outcomes through third party providers;
- A Commissioning Framework developed for 2018-21 to support the delivery and priorities of the Police and Crime Plan.
- Engagement in value for money benchmarking such as is conducted by Her Majesty's Inspectorate of Constabulary (HMICFRS);
- A well-researched and coherent Corporate Governance Framework that sets out the rules and procedures for effective working within and between the OPCC and OCC;
- Appropriate statutory officers within both the OPCC and OCC, who are key members of respective leadership teams with relevant influence on strategic and tactical matters;
- Codes of Conduct and standards of behaviour clearly set out in governance documents with the former being signed by the PCC;
- An independent Joint Audit, Risk and Assurance Panel (JARAP) that is charged with seeking assurance over risk, governance and internal control for both the OPCC and OCC;

- Internal Audit team where the plan and therefore resources are directed towards risk and emerging issues; and where the plan is shaped by both the OPCC and the OCC;
- External reviews and inspections carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) which inform the PCC and the CC and highlight risks and learning points in addition to good practice.
- An Ethics, Integrity and Complaints Committee to align the work of the JARAP and the Committee for optimum benefit moving forwards;
- Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

#### 4) Compliance with the Seven Principles set out in the CIPFA/SoLACE Framework

##### **Principle A: Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of Law:**

Both the PCC and the CC support the Corporate Governance Framework which aligns to the Code of Corporate Governance and which provides guidance on expected behaviours to ensure integrity. The Corporate Governance Framework also includes an Anti-Fraud, Bribery and Corruption Policy in addition to a Whistleblowing Policy. The JARAP receive regular updates on Fraud and Corruption and Whistleblowing arrangements in line with their annual plan. Any whistleblowing activities are investigated by the Professional Standards Department and appropriate action is taken. The Section 151 Officer and Monitoring Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements and for reporting any such instances to the PCC, CC, JARAP or Police and Crime Panel.

Detailed reviews of whistleblowing and complaints are considered by the Ethics, Integrity and Complaints Committee who also undertake dip sampling of complaints.

The Police and Crime Plan outlines the PCC's commitment to ethical values and the PCC and DPCC have completed the register of interests which is contained on the PCC website. Additionally, Related Parties Disclosures are undertaken for all key staff in the OPCC and OCC.

##### **Principle B: Ensuring openness and comprehensive stakeholder engagement**

All agendas, papers and meetings of the JARAP and Ethics, Integrity and Complaints Committee and the Police and Crime Panel are contained on the respective websites. All of these meetings are open to the public.

Papers, reports and decisions made by the PCC are published on the PCC website, together with consultation, details of future public events and public surveys.

Detailed financial information is included on the police force's website which details every expenditure transaction over £500

The Police and Crime Plan sets out the importance placed by the PCC on stakeholder engagement, together with his plans and approach to developing these further.

##### **Principle C: Defining outcomes in terms of sustainable, economic, social and environmental outcomes**

The PCC has produced a Police and Crime Plan which has been informed by the Strategic Policing Requirement and the result of significant consultation with the public and key stakeholders.

This plan is used to direct the resources of the PCC and the Chief Constable through the Revenue and Capital Budgets and the Commissioning Framework. It informs where resources are most needed and targets investment into priority areas.

The PCC has a Minimum Revenue Policy, a Reserves Strategy and a Treasury Management Strategy and these are all considered with the Capital Programme and Revenue budget when considering the level of precept to be set. There are regular reports to the Strategic Assurance Board to report on progress and compliance with these policies during the year.

### **Principle D: Determining the Interventions necessary to optimise the achievement of intended outcomes**

All new areas of business are considered through the Force arrangements via the Change Board (which the PCC and CFO attend). Business cases support proposals both at a local, regional and sub-regional level before consideration and sign off where appropriate by the PCC or CC, dependent on the values contained within the Corporate Governance Framework.

Regionally, Business Cases are considered first by the DCC Board before consideration by the CCs and PCCs, together with advice from statutory officers.

Significant decisions are documented on a Decision Record and published on the PCC website.

### **Principle E: Developing Capacity and Capability**

The Force work closely with the College of Policing to ensure investment is maximised for officers and staff. Significant work has taken place across the region with the college in respect of the apprenticeship scheme for new recruits and further development of officers aspiring to senior ranks.

The PCC has continued to support the CC in recruiting officers and PCSO's to maintain establishment levels and ensure continued introduction of new ideas and ways of working.

### **Principle F: Managing Risks and Performance**

Performance forms a significant part of the regular Strategic Assurance Board meetings and the PCC and a representative from the OPCC attend the monthly Performance Delivery Group meetings (PDG) and the Crime and Operations Effectiveness meetings to discuss Performance at a more operational level and identify the issues and challenges.

Whilst Leicestershire have mirrored the national trend where Crime levels have increased, the PCC highlights areas of Force Performance which are of concern. He has undertaken further scrutiny in this area on a regular basis and this is also an area reviewed regularly by the Police and Crime Panel.

In this last financial year the Office of the PCC has employed a new Performance Manager who is provided a greater level and depth of scrutiny to the performance information provided by the Force.

The PCC and CC have a joint Risk Management Policy and manage and record risks in the same manner, through the same system. These risks are reviewed regularly and considered at every JARAP meeting. Over the last year the Strategic Organisation Risk Board has been re-invigorated and takes a greater role in effectively managing risks being faced by the force and the OPCC and reports up to JARAP on a regular basis with their findings.

There are joint policies in place for Anti-Fraud, Corruption and Bribery, together with the joint Corporate Governance Framework which sets out the financial regulations, expected processes and internal controls.

There is a shared Internal Audit Service across the region and updates on local and regional audits are considered at every JARAP meeting.

Annual reports on HR and complaints and disciplinary processes are considered by the Strategic Assurance Board and the Ethics, Integrity and Complaints Committee, together with actions and lessons learned.

### **Principle G: Implementing good practices in transparency, reporting and accountability**

All significant decisions of the PCC are published on the website, together with appropriate supporting documentation. The Police and Crime Plan and Commissioning Framework are also reported on and published on the website.

The PCC meets weekly with the CC to discuss key issues and challenge and scrutinise where performance is slipping or other key aspects.

The PCC attends and reports to the Police and Crime Panel who scrutinise how the PCC is holding the CC to account, consider performance, the Police and Crime Plan and other priorities.

### 5) Review of Effectiveness

The OPCC and OCC have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the OPCC and OCC who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Following the election of the new Police and Crime Commissioner a further review of the office structure will be undertaken during 2021/22.

The OPCC and OCC continued to invest in an Internal Audit programme in 2020-21 which continued to give assurance under the arrangements for the two corporation soles. These ensured specific local audits on:

- Procurement
- Workforce Planning
- Estate Management
- Core Financials
- Payroll
- Payroll Provider
- Wellbeing
- Vetting
- Risk Management
- IT Security
- GDPR
- Victims Code of Practice
- Medium Term Financial Planning

During 2020-21, the following collaborative audits or specific assignments were carried out:

- Budget Control
- Workforce Planning

In addition to a review of key controls working well and highlighting findings and recommendations, the Internal Audit reports also include an overview on sector comparisons, risk management and value for money observations.

The Mazars Internal Audit annual report covered the period 1 April 2020 to 31 March 2021 and will be reported to and considered by the JARAP in July 2021. The key messages in that report are included here within this Annual Governance Statement.

The Internal Audit opinions included within their annual report for both the Police and Crime Commissioner and the Chief Constable for 2020-21 were as follows:

*“On the basis of our internal audit work, our opinion on the framework of governance, risk management, and control is **Significant** in its overall adequacy and effectiveness. This opinion is provided on the basis that the framework of governance, risk management and control is adequate and effective.”*

The basis of Mazars' opinion was as follows:

*“In reaching this opinion the following factors were taken into particular consideration:*

#### **Corporate Governance**

*In respect of Corporate Governance, while not directly assessed as part of the Plan, this was informed by consideration of this area through our individual assignments including where relevant. Governance is a consideration in all our audit engagements and we did not find any wholesale issues with governance across our audit plan.*

## Risk Management

In respect of Risk Management we have undertaken a Risk Management audit, at the time of writing the final report is still to be confirmed. In addition to this our opinion was informed by consideration of risk management aspects through our individual assignments including reporting within our 'risk management' thematic as well as observing reports and discussion around the Force's and OPCC's Risk Management including the Risk Register at each JARAP meeting with no significant issues arising.

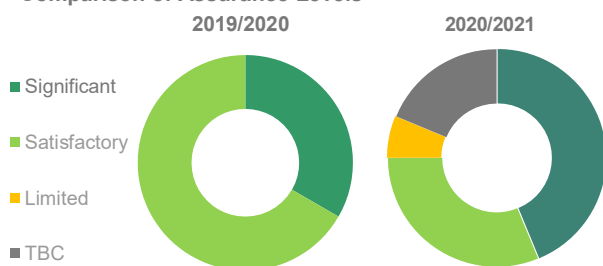
During the course of delivering the 2020/21 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

## Internal Control

Of the 15 audits undertaken and 12 finalised to date, where a formal assurance level was provided, 7 received a significant level of assurance and 4 audits received a satisfactory level of assurance. However, 1 audit (IT Security) has received a limited level of assurance (although the final reports for three audits remain outstanding – MTFP, Risk Management & Collaboration: Workforce Planning).

We have made a total of 23 new recommendations during the year at the Force and OPCC, 1 recommendation was categorised as Priority 1 with 10 recommendations categorised as Priority 2 and 12 were Priority 3."

### Comparison of Assurance Levels

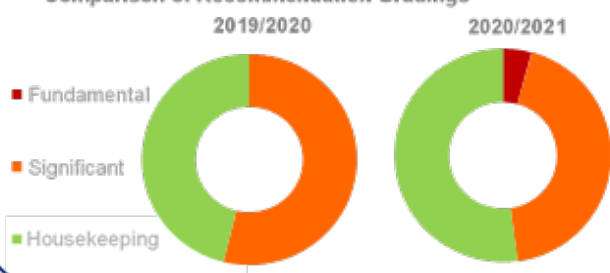


Of the twelve audits finalised (to date) in 2020/2021 there are seven with significant assurance and four with satisfactory assurance provided. One audit with limited or needs improvement assurance reports was provided in the year. Three are still to be finalised.

In 2019/2020, six audits providing significant assurance were completed and 12 audits providing satisfactory.

Whilst there has been an increase with one limited assurance opinion, to date the level of significant and satisfactory levels assurance remain similar.

### Comparison of Recommendation Gradings



The total number of recommendations made (to date) is 23. This represents an decrease of five from the prior year (26, although three reports are still TBC). The number of Significant recommendations has decreased from fourteen in 2019/20 to ten in 2020/21

The has been an increase from no critical recommendations in 19/20 to one in 20/21.

## Compliance with Professional Standards

We employed a risk-based approach to determining the audit needs of the Force & OPFC at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

## Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit and Risk Committee. We have received positive feedback on our work from the Audit and Risk Committee and staff involved in the audits.

Regular planned discussions on progress against the Audit Plan have taken place with the JARAP with Performance being an item within our progress reports presented at each meeting.

## Conflicts of Interest

*There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.*

## Internal Audit Quality Assurance

*In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:*

- *Supervision of staff conducting audit work;*
- *Review of files of working papers and reports by Managers and Partners;*
- *Annual appraisal of audit staff and the development of personal development and training plans;*
- *Sector specific training for staff involved in the sector;*
- *Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and*
- *The maintenance of the firm's Internal Audit Manual.*

External audit (Ernst & Young LLP) issued their 'Annual Audit Letter for the year ended 31 March 2020' in January 2021 and this was considered by the JARAP at their meeting held on 27 April 2021. The letter summarised the results of their 2019-20 audit and built on the 'Audit Results Report' considered by the JARAP at their meeting on the 16 October 2020. It reported that:

- *'Unqualified - the financial statements give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2020 and of its expenditure for the year then ended;*
- *other information published with the financial statements was consistent with the Annual Accounts;*
- *we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you;*
- *from our work we determined that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience;*
- *the PCC and CC complied with the 2015 Accounts and Audit regulations in their notice of audit;*
- *we concluded that you have put in place proper arrangements to secure value for money in your use of resources;*
- *the Governance statement was consistent with our understanding of the PCC and CC;*
- *we had no matters to report in the public interest;*
- *Written recommendations to the PCC and CC which should be copied to the Secretary of State – we did not identify any issues;*
- *Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 – we had no matters to report;*
- *Reporting to the National Audit Office (NAO) on our review of the PCC and CC's Whole of Government Accounts Return (WGA) – we had no matters to report;*

*As a result of the above we have also:*

- *issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit - our Audit Results Report was issued on 7 October 2020*
- *issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice - our certificate was issued on 21 September 2020.'*

The JARAP met virtually due to COVID restrictions three times during the year (The April 2020 meeting was cancelled). The JARAP undertook a detailed work plan which included considering the work of internal and external audit, tracking of Internal Audit recommendations, risks and risk management, and specific themes. In addition, the JARAP approved an annual workplan, for 2021, reviewed their terms of reference and produced an annual report of their work.

JARAP members undertake portfolio and detailed reviews into key areas and also regularly attend pertinent meetings including regular attendance at the Strategic Organisational Risk Board (SORB), the Force Change Board and the Strategic Health and Safety Committee.

During the year, the JARAP received or prepared a number of updates, presentations and reports on specific areas of risk or concern.



## 6) Significant Governance Issues and Actions

There were no formal reports issued by the S151 or Monitoring Officer during the year, outcomes of Monitoring Officer Investigations, objections from local electors or ombudsman referrals.

In 2020-21 our internal auditors, Mazars, carried out 15 audits (three still outstanding) and as detailed on the table one of them was given limited assurance. During 2019-20 none of the 17 audits undertaken were given limited assurance which indicates a sound internal control environment. As a result it is concluded that there are no significant issues or actions that need to be highlighted as part of this Annual Governance Statement.

### *Police and Crime Plan and Resources*

It was also highlighted in the previous year that the medium term financial outlook showed an anticipated deficit emerging over the life of the forecast. However, the Police Precept and Budget was agreed by the Police and Crime Panel on 27 January 2021 which demonstrated that by increasing the precept by the maximum allowed, and through the prudent use of reserves, the medium term financial outlook now showed a balanced position until part way through 2023-24.

However, this position will be reviewed and updated on a regular basis and is likely to change over time given uncertainty about the impact of the Covid 19 pandemic, Brexit and the impending Comprehensive Spending Review.

### *HMICFRS Inspections and Force Performance*

In May 2019 HMICFRS issued their latest 'Police effectiveness, efficiency and legitimacy (PEEL) inspection for the financial year 2018-19. The inspection looks at the effectiveness, efficiency and legitimacy of the force and provides a judgement using the following assessment:

- Outstanding
- Good
- Requires improvement
- Inadequate

The inspection delivered the following results for Leicestershire Police:

- How **effectively** does the force reduce crime and keep people safe? Inspection result – **Good**
- How **efficiently** does the force operate and how sustainable are its services? Inspection result – **Good**
- How **legitimately** does the force treat the public and its workforce? Inspection result – **Good**

This result is an improvement on the previous PEEL inspection which concluded that the force was '**good**' in effectiveness and legitimacy but '**required improvement**' in efficiency.

The full inspection report can be found at the following link:

<https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/peel-assessment-2018-19-leicestershire.pdf>

There have no further HMICFRS inspections in this area since.

### *High priority strategic risks*

At the end of March 2021 the Strategic Risk Register highlighted 10 strategic risks that were judged to be high priority. They were:

- Diminished CSI Capacity
- Capacity within I.T. to support and enable digital transformation
- Inability to meet regional Occupational Health demand
- Risk of staff being exposed to COVID virus due to work activities
- Churn of staff and ongoing establishment pressure
- Management of geographical information
- Pension remedy for police pension scheme
- Current JES non-equalities compliant and the implementation of new JES scheme carries risk
- Reputational risk to the force due to delays in the Criminal Justice system
- Complying with Home Office Counting Rules & ensuring high levels of crime data integrity

All of these risks are being managed through the Strategic Organisation Risk Board (SORB) and the JARAP.

### *Reflecting the challenges from coronavirus*

The AGS assesses the adequacy and effectiveness of the governance arrangements in place during 2020/21 and therefore the majority of the year was affected by the coronavirus pandemic ('COVID-19'). The impact on governance was felt by all public sector organisations including, for example, changes to decision making arrangements and the conduct of meetings. COVID-19 also impacted on the organisation's priorities and programmes.

Leicestershire in response to the onset of COVID-19 established a Gold Command Structure to oversee the Force's response. This was led by an Assistant Chief Constable and covered issues such as business continuity, resilience, sickness, wellbeing, abstraction rates, access to PPE, policing the new restrictions, additional expenditure incurred and recovery plans. The structure remains in place.

A more agile approach to delivering services was adopted through the use of mobile devices which allowed employees to work from home where they could to achieve social-distancing or when in self-isolation.

The Silver Commander oversaw the sourcing of increased amounts of Personal Protective Equipment (including facemasks, disposable gloves, hand sanitiser and wipes) for frontline staff and offices.

Operational Guidance, and health, safety and wellbeing advice, were shared Force wide with senior leaders and directly with staff via Corporate Communication messages.

After COVID-19 was declared a major incident, DCC Nixon became Chair of the Strategic Coordination Group (SCG). This was a multi agency meeting whose objective was to lead and manage the response to the pandemic across the Force area.

From a governance perspective, the PCC is a member of the Force's 'Gold' group overseeing and managing the Force's overall response to COVID-19. The PCC maintained regular communications with the Chief Constable. This approach enabled the PCC to continue to exercise effective governance and oversight of the Force's activities, decision-making processes, operational policing tactics and performance during an extremely fluid and fast-changing period of time, whether in respect of COVID-19 or 'business as usual' related activities.

The Force continued to produce audit and performance reports to inform existing governance forums and provide assurance ; for example, a briefing was delivered by the DCC to the JARAP, highlighting the implications of the pandemic on Force activity and risk.

The Chief Constable's Chief Officer Team (COT) met more regularly (up to three times per week) to enable swift decision-making and suitable oversight of the Force response to COVID-19.

Gold Command convened management meetings three times per week during the height of the pandemic, moving to one meeting per week during late summer / autumn.

Telephone conferences and Microsoft Teams have enabled meetings to continue through the pandemic. This allowed officers and staff to effectively deliver Force performance during the pandemic.

Organisational learning was proactively sought and captured throughout the Force's response to COVID-19. Learning is being used to inform decision-making concerning the Force's ongoing response to COVID-19.

The PCC is not required to hold public decision-making meetings; instead, he is required to publish 'significant' decisions on his website. The OPCC has continued to discharge that requirement during the COVID-19 crisis. In addition, the agenda and papers for public meetings that would have taken place e.g. the Joint Audit, Risk and Assurance Panel on 29<sup>th</sup> July which were published on the OPCC website to facilitate transparency and accountability to the public.

The Leicestershire Police and Crime Panel, which has responsibility for scrutinising the decisions and actions of the PCC, held 'virtual' meetings on 28<sup>th</sup> July and 1<sup>st</sup> October. The Budget meeting in January 2021 was held at Leicester City Hall.

The scrutiny and oversight by relevant PCCs of policing functions being developed or discharged by Leicestershire Police in collaboration with other police forces has continued but undertaken in virtual form, usually by way of conference call arrangements.

The financial impact of COVID-19 on the public sector generally, and specific to Leicestershire Police was continually monitored throughout the year. Details were reported to each Gold Group meeting. The financial implications of delivering the local policing response to COVID-19, was managed by a combination of the ongoing close working of the PCC and Chief Constable's chief finance officer and their respective teams.

A number of strategic risks specific to COVID-19 were identified and incorporated into the Force Strategic Risk Register. These included welfare & wellbeing, the provision of critical functions, reputational risk and legitimacy, unintended legal or regulatory breaches, meeting demand and achieving recovery. These risks were managed through Gold and also report into COT weekly. In addition, a tactical Risk Register for COVID-19 was developed, alongside the SCG risk register.

The PCC and Force have been capturing the organisational and operational learning throughout the pandemic which will be used to inform any post-incident review. An early finding is that the Gold structure and its links to COT has enabled fast and co-ordinated decision making.

### Conclusion

This document highlights the main areas of assurance that are in place for the OPCC as well as highlighting particular issues that have been raised through internal audit reports, external audit reports, the strategic risk register and the external inspections that have been carried out by HMICFRS. It is intended to provide assurance that the overall arrangements in place are sound whilst highlighting some areas that do require further management action. These will be monitored closely over the next financial year.



Rupert Matthews  
Police and Crime Commissioner

25<sup>th</sup> August 2022



Lizzie Star  
Temporary Chief  
Executive, OPCC  
25<sup>th</sup> August 2022



Kira Hughes  
Temporary Chief Finance  
Officer, OPCC  
25<sup>th</sup> August 2022



## **ANNUAL GOVERNANCE STATEMENT FOR REGIONAL COLLABORATION 2020/21**

I confirm that the relevant controls and procedures are in place to manage the following issues within the East Midlands Special Operations Unit, which includes the Regional Organised Crime Unit, Major Crime, Forensic Services, Counter Terrorism Policing East Midlands, and Legal Services.

### **1. The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked.**

DCC (East Midlands) monitors performance. Exceptions are reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis, with full performance reports reported twice a year.

### **2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to. Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

### **3. That the appropriate controls are in place for the management of all resources deployed within Regional collaboration**

A management structure is in place, with clear lines of accountability for both operational issues and use of resources. A budget is approved each year at the EMPCC/CC's Board which defines the expenditure targets for each area of policing within EMSOU. Each force actively supports the budget allocation and sets its own precept accordingly.

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC/CC's Board. Quarterly monitoring reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position.

### **4. Incorporating good governance arrangements in respect of partnerships.**

The EMPCC/CC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region to improve performance as well as saving money.

Signed:

Paul Gibson  
Deputy Chief Constable (East Midlands)  
Date: 10/06/2021

**INDEPENDENT AUDITOR'S REPORT TO THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE****Opinion**

We have audited the financial statements of the Office of the Police and Crime Commissioner for Leicestershire for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Office of the Police and Crime Commissioner for Leicestershire and Group Comprehensive Income and Expenditure Statement;
- Office of the Police and Crime Commissioner for Leicestershire and Group Balance Sheet;
- Office of the Police and Crime Commissioner for Leicestershire and Group Statement of Movement in Reserves;
- Office of the Police and Crime Commissioner for Leicestershire and Group Cash Flow Statement;
- related notes 1 to 42; and
- Pension Fund Account and related notes 1-4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Office of the Police and Crime Commissioner for Leicestershire and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Office of the Police and Crime Commissioner for Leicestershire and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Temporary Chief Finance Officer use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office of the Police and Crime Commissioner for Leicestershire ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Temporary Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Office of the Police and Crime Commissioner for Leicestershire ability to continue as a going concern.

**Other information**

The other information comprises the information included in the Office of the Police and Crime Commissioner for Leicestershire Annual Financial Report 2020/21 set out in the Narrative Report, other than the financial statements and our auditor's report thereon. The Temporary Chief Finance Officer is responsible for the other information contained within the Office of the Police and Crime Commissioner for Leicestershire and Group Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Office of the Police and Crime Commissioner for Leicestershire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

### **Responsibility of the Temporary Chief Finance Officer**

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 9, the Temporary Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Temporary Chief Finance Officer is responsible for assessing the Office of the Police and Crime Commissioner for Leicestershire ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Office of the Police and Crime Commissioner for Leicestershire either intends to cease operations, or have no realistic alternative but to do so.

The Office of the Police and Crime Commissioner for Leicestershire is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Office of the Police and Crime Commissioner for Leicestershire and determined that the most significant are:
  - Local Government Act 1972,
  - Local Government Act 2003,
  - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
  - The Local Audit and Accountability Act 2014,
  - The Accounts and Audit Regulations 2015,
  - The Police Reform and Social Responsibility Act 2011,
  - Anti-social behaviour, Police and Crime Act 2014,
  - Police Pensions scheme regulations 1987,
  - Police Pensions regulations 2006; and
  - Police Pensions regulations 2015.

In addition, the Office of the Police and Crime Commissioner for Leicestershire has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

- We understood how the Office of the Police and Crime Commissioner for Leicestershire is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, internal audit and those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Office of the Police and Crime Commissioner for Leicestershire committee minutes, policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Office of the Police and Crime Commissioner for Leicestershire financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Office of the Police and Crime Commissioner for Leicestershire capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Office of the Police and Crime Commissioner for Leicestershire had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Office of the Police and Crime Commissioner for Leicestershire put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Office of the Police and Crime Commissioner for Leicestershire had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Office of the Police and Crime Commissioner for Leicestershire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Office of the Police and Crime Commissioner for Leicestershire arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Office of the Police and Crime Commissioner for Leicestershire Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

### **Use of our report**

This report is made solely to Office of the Police and Crime Commissioner for Leicestershire, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Office of the Police and Crime Commissioner for Leicestershire, for our audit work, for this report, or for the opinions we have formed.

NEIL. A. HARRIS  
ERNST & YOUNG LLP

Neil Harris (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
26 August 2022

*The maintenance and integrity of the Police & Crime Commissioner for Leicestershire's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*



### **Accounting policies**

These are a set of rules and codes of practice used in preparing the accounts

### **Accrual**

A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or works done but for which payment has not been received or made by the end of the period.

### **Actuarial gain/loss**

The change in pension liabilities that arises because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or because the actuarial assumptions themselves have changed.

### **Actuarial Valuation**

A valuation of the assets of a pension scheme, an estimate of the present value of benefits to be paid and an estimate of the future required contributions into a pension scheme.

### **Amortisation**

The annual amount charged to the Comprehensive Income & Expenditure Statement in respect of the consumption of intangible non-current assets (i.e. software licenses).

### **Budget**

A statement of the OPCC/Group's plans in financial terms. A budget is prepared and approved by the OPCC/Group prior to the start of each financial year.

### **Capital expenditure**

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

### **Capital financing requirement**

The capital financing requirement represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third-party contributions at the time of spending. It measures the OPCC/Group's underlying need to borrow for a capital purpose.

### **Capital grant**

Grant received from central government that is used to finance specific schemes in the capital programme. Where capital grants are receivable, these are used as far as possible to finance relevant capital expenditure within the year they are received.

### **Capital receipts**

Proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by central government.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

### **Commuted lump sums**

These are the amounts paid to officers when they retire, if they choose to have a lower pension.

### **Contingent liabilities**

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the OPCC/Group's control, or

(b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and democratic core**

These represent the costs of delivering public accountability and representation in policy making and meeting our legal responsibilities.

### **Creditors**

Amounts owed by the OPCC/Group for work done, goods received or services rendered which have not been paid for by the end of the financial year.

### **Current service cost (Pensions)**

The increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of pension benefits on retirement.

### **Debtors**

Sums of money due to the OPCC/Group for work done or services supplied but not received at the end of the financial year.

### **Deferred liabilities**

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

### **Defined benefit scheme**

A pension or other retirement benefit scheme, with rules that usually define the benefits independently of the contributions payable and where the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, passing of time or obsolescence through either changes in technology or the demand for the service produced by the asset.

### **Financial regulations**

A written code of procedures approved by the OPCC/Group and intended to provide a framework for the proper financial management of the OPCC/Group. The financial regulations are supported by detailed financial instructions.

### **Financial year**

The period of time commencing on the 1<sup>st</sup> April covered by the accounts.

### **Formula spending share**

The proportion of spending by local authorities which the government considers should be attributed to each OPCC/Group and used as a basis for distributing grant.

### **Impairment**

A reduction in the value of a non-current asset below the amount shown on the balance sheet.

### **Investment property**

Those assets held primarily to realise increases in their value and/or income (i.e. where rented to a third-party).

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

### **Leasing**

A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:-

The OPCC for Leicestershire  
2020/21

Annual Financial Report

(a) finance leases which transfer all of the risks and rewards of ownership of a non-current asset to the lessee and such assets are included within the non-current assets in the balance sheet.

(b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the service revenue accounts.

### **Liquid resources**

Assets which can be realised within a very short period of time. For example cash held in an instant-access bank account is considered a liquid resource.

### **Minimum revenue provision**

The minimum amount that the OPCC/Group is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the OPCC/Group this relates to a principal sum based on a prudent assessment of the useful life of the asset, which is used for the redemption of external debt.

### **Net book value**

The amount at which non-current assets are included in the balance sheet and being their historical cost or current value, less the cumulative amounts charged for depreciation, amortisation and any impairment losses.

### **Non-current assets**

Tangible and intangible assets that yield benefits to the OPCC/Group for a period of more than one year.

### **Non distributed costs**

This is where overheads are not charged or apportioned to activities within the service expenditure analysis in the Comprehensive Income and Expenditure Account.

### **Past service cost (pensions)**

Represents the increase in pension liabilities caused by decisions taken in the financial year concerning retirement benefits but whose financial effect is derived from pensionable service earned in earlier financial years.

### **Precept**

The levy by which the OPCC/Group obtains the income it requires from council tax.

### **Public Works Loan Board (PWLb)**

A government agency that provides borrowing to local authorities at preferential interest rates.

### **Receipts and payments**

Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.

### **Unusable reserves**

These are reserves resulting from the interaction of legislation and proper accounting practices. These reserves are not resource backed and cannot be used for any other purpose.

### **Usable reserves**

These are held at the discretion of the OPCC/Group and are resource backed. Usable reserves may either be general (in the case of the general fund) or specific (in the case of the earmarked reserves).